

Director Cited  
Pages 5 & 6  
FOR MORE  
CLASSIFIED

The Global Newspaper  
Edited and  
Published in Paris  
Printed simultaneously  
in Paris, London, Zurich,  
Hong Kong, Singapore,  
The Hague, Marseille, Miami.

# Herald Tribune

Published With The New York Times and The Washington Post

No. 32,328 5/87

PARIS, SATURDAY-SUNDAY, JANUARY 31-FEBRUARY 1, 1987

ESTABLISHED 1887

## Iran Report Portrays Pattern of Deception



Senator David L. Boren discussing the panel report on the Iran-contra affair.

### Reagan Aides Were At Odds

By David E. Rosenbaum  
New York Times Service  
WASHINGTON — A report on the Iran-contra affair made public by the Senate intelligence committee portrays Reagan administration officials as regularly deceiving one another, and Congress about main elements of the operation.

The report, released Thursday, cites evidence that President Ronald Reagan was primarily interested in trading arms for the release of

At least seven federal inquiries into the Iran-contra affair are being conducted. Page 3.

hostages and reveals that some profits from the sale of arms to Iran may have been used by an Israeli official for "other projects." It does not specify those projects.

It also cites evidence that some profits from the arms sales were deposited in bank accounts controlled solely by Richard V. Secord, a retired air force major general, and two retired officials of the Central Intelligence Agency, apparently for the benefit of the rebels in Nicaragua. None of the three men are now in the government. Before now, it had not been known exactly who controlled the accounts.

The 65-page document, in the form of a chronology beginning in early 1985 and continuing through this month, draws no conclusions. It was based on a three-week investigation by the Senate intelligence panel under Republican leadership last month. The investigation included testimony from 36 witnesses and the examination of thousands of pages of documents from the White House and other agencies.

Earlier this month, the panel voted not to release a report that had been prepared by the Republican staff.

When Democrats gained control of the committee with the beginning of the new Congress, the panel "started afresh" and prepared the document released Thursday, according to the chairman, Senator David L. Boren of Oklahoma.

The report does not introduce new persons or dramatic new episodes. But it provides a fuller description and more details of the events than earlier drafts.

Mr. Boren stressed that the document was "preliminary" because important figures like Lieutenant Colonel Oliver L. North and Vice Admiral John M. Poindexter had refused to testify, citing their constitutional right against self-incrimination.

Late Thursday, the committee voted, 17-1, to publish the report. Mr. Boren said it would be used as a foundation for a more extensive inquiry this year by the special Senate committee that has been appointed to investigate the entire affair. A companion House committee is conducting a parallel investigation.

The report cites evidence, however, that disputes Mr. Reagan's contention that the principal purpose of the arms deals was to open a strategic relationship with "moderate" officials in Iran.

The document says Mr. North, who directed both the arms shipments and the aid to the contras, See IRAN, Page 5



President Pieter W. Botha stood at attention at the opening of South Africa's Parliament in Cape Town on Friday.

## Pretoria's Envoy to U.K. Quits, May Seek Election

The Associated Press  
JOHANNESBURG — Denis Worrall, South Africa's ambassador to Britain, has resigned, the government said Friday. There were reports that he would challenge the governing National Party in the May 6 parliamentary elections announced Friday by President Pieter W. Botha.

Mr. Botha, announcing the elections in an address to Parliament in Cape Town, also warned nations that have supported sanctions against South Africa that he would reconsider both the "content and direction" of his country's relations with them.

The resignation of Mr. Worrall was announced by Foreign Minister R.F. Botha. He said that the ambassador "has asked to be relieved of his duties," adding: "I agreed." Mr. Worrall, 48, has been ambassador to Britain since August 1984.

In London, Mr. Worrall said he had resigned to return home and "re-enter national life," but he made no comment on whether he will run against the governing National Party that he has long supported.

"In particular, I believe that this is a time for bridge-builders within all communities in South Africa to make themselves heard," Mr. Worrall said in a statement.

The Cape Times newspaper reported that Mr. Worrall, among the strongest supporters of racial reform in President Botha's National Party, was considering running against the party in the forthcoming elections, in which only white voters will participate.

Mr. Worrall, the newspaper said, was increasingly dissatisfied with the lack of concrete initiatives toward reforms in South Africa's policy of apartheid, or racial segregation.

The paper said it was unclear whether Mr. Worrall would run as an independent candidate in the elections, the first for the all-white body since 1981, or join the liberal opposition Progressive Federal Party.

The Progressive Federal Party, which holds 27 of the 178 seats in the white chamber of Parliament, and the far right Conservative Party. See ENVOY, Page 5

## U.S. Trims Deficit In Trade

### December Total Fell but 1986 Remains Record

Compiled by Our Staff From Dispatches  
WASHINGTON — The U.S. merchandise-trade deficit narrowed sharply in December as the nation trimmed its appetite for imports, but the shortfall for all of 1986 widened to a record \$169.8 billion, the government reported Friday.

The Commerce Department said

Japan's current-account surplus soared last year. Page 7. The dollar firmed in Europe on U.S. trade news. Page 11.

that imports for the year rose 7 percent from 1985, to \$387.1 billion, while exports increased only 2 percent, to \$217.3 billion.

Although expected, analysts said the record shortfall for the year was likely to strengthen calls in Congress for protectionist trade legislation. They noted that the deficit with Japan, which widened to \$58.6 billion from \$49.7 billion in 1985, was the largest trade imbalance ever posted between two nations.

For December, the department said the trade deficit narrowed to \$10.7 billion from a record \$19.2 billion in November as imports fell and exports held steady. The figure, considerably better than most expectations, was the lowest deficit in nearly two years.

The sharply better monthly figure reflected a fall in the value of imports, to \$29.1 billion from \$37.8 billion in November, the department said. Exports were virtually unchanged from a month earlier, however, at \$18.4 billion.

Government and private economists expressed cautious optimism about the December figures, but warned that a rapid improvement

was involved the three-day rebellion, which ended Thursday.

"We are cleansing the military because we inherited a military full of potholes from the Marcos regime," Mr. Ito said in an interview with Reuters.

This was an apparent reference to political intervention and other irregularities and abuses involving the armed forces during the rule of former President Ferdinand E. Marcos.

Mr. Ito said the officers and men implicated in the rebellion would be tried in open courts-martial. But he said he could not rule out the possibility of further attempts to destabilize the government.

Analysts said the statements were intended as a public assurance that military leaders loyal to Mrs. Aquino had not lost control of the armed forces and would firmly prosecute renegades, as ordered by the president.

They said the military urgently needed to put its affairs in order because the armed forces might have to resume large-scale operations against Communist guerrillas soon. The Communists announced Friday that they were breaking off peace talks with the government.

General Ramos and Aquilino Pimentel, Mrs. Aquino's national affairs adviser, also made it clear that both military and political figures behind the attempt to seize control of key bases and communication centers in and around Manila would be prosecuted.

General Ramos said he had ordered the arrest of Brigadier General José María Zúñiga, two colonels, a major and "a few others," whose names were not released.

General Zúñiga is a former superintendent of the Philippine Military Academy, an elite officer-training school.

He and the two colonels are prominent military supporters of



Rodrigo Ularte, a leader of the urban poor, raised an envelope of petitions as he shouted out demands for land reform at a rally attended Friday by President Corazon C. Aquino in the southern Philippine city of General Santos.

## Philippines Will Purge Renegades in Military

By Michael Richardson  
International Herald Tribune

MANILA — Military leaders announced Friday that the Philippines armed forces would be purged of elements that were involved in the attempt to topple the government of President Corazon C. Aquino.

General Fidel V. Ramos, armed forces chief of staff, said he had recommended that a special board of officers be set up to investigate and end "the reported destabilizing activities of some members" of the armed forces.

Both he and Defense Minister Rafael Ito stressed that only a small percentage in the military

## Waite Said to Be Tricked

### Militia Official Says Envoy Is Now a Hostage

Reuters  
BEIRUT — A senior Lebanese Muslim militia official said Friday that Terry Waite, the Anglican envoy who has been trying to negotiate the release of Western hostages in Lebanon, had been kidnapped by the captors of the foreigners he sought to free.

The militia official said: "My information is that Waite will not be returning, as he is kidnapped. He has been added to the list of hostages." The official asked not to be identified.

Mr. Waite has not been seen since he left the Riviera Hotel in West Beirut on Jan. 20. From his arrival in Beirut on Jan. 12 until then he had been escorted by militiamen loyal to the Druze Muslim chieftain, Walid Jumblatt. According to his escort, Mr. Waite had asked to be left alone.

The militia official said that Mr. Waite became a hostage "the day he left without his bodyguards. That was the trick they played, because they had planned for him not to return and did not want the bodyguards to know where they went."

In Tunis, meanwhile, a senior Palestine Liberation Organization official said that \$2 million was paid in November to secure the release of David P. Jacobsen, an American who had been held hostage in Lebanon for 17 months.

Salah Khalaf, better known as Abu Iyad, said that the money was paid in cash by Mr. Waite. Mr. Khalaf is a close aide of Yasser Arafat, the PLO chairman.

The Lebanese weekly magazine Ash-Shiraa, which disclosed the U.S. arms sales to Iran in November, said that Mr. Waite was under house arrest and possibly kidnapped.

Earlier, several sources said that Mr. Waite had been seen in Lebanon's eastern Bekaa Valley. The Associated Press quoted a militia leader as saying that Mr. Waite had been seen "moving around freely," but did not say where.

[In Washington, diplomatic sources said that Mr. Waite was being held by the Shiite Hezbollah, or Party of God, in a political tug-of-war between the militant Muslim group, which has close ties to Iran, and Mr. Jumblatt, AP reported. The sources said Mr. Waite had undertaken his latest mission at the suggestion of Mr. Jumblatt.]

Before his disappearance, Mr. Waite had held face-to-face meetings with Islamic Jihad, which is holding hostages and demanding the release of 17 prisoners jailed in Kuwait for their part in a series of 1983 bombings attacks there.

Ash-Shiraa quoted political sources as saying that Mr. Waite and other hostages would not be released "until the dust clears" after the latest Gulf War offensive by Iran toward the Iraqi city of Basra.

It said Mr. Waite was seized when the kidnapers detected U.S. military preparations for a strike against them and the countries supporting them. The magazine quoted sources "close to the issue of the hostages."

In Tunis, Mr. Khalaf said of Mr. Jacobsen's release: "The money was paid through Waite in cash." He said that the cash did not come directly from the U.S. government but that American companies contributed to a fund intended to be used as ransom money.

Separately, two bombs exploded in the Christian and Moslem areas of Beirut within minutes of one another Friday. Six persons, including an 8-year-old boy, were killed and several were injured in Christian East Beirut. There were

See WAITE, Page 5

### LATE NEWS

#### Reagan Backs 'Supercollider'

WASHINGTON (AP) — President Ronald Reagan will seek funds from Congress to build the \$6 billion nuclear particle accelerator known as a "supercollider." Energy Secretary John S. Herrington announced Friday.

Proponents of the machine say that if the European CERN consortium goes ahead with plans to build a similar accelerator and the United States does not, the world's top physics researchers "almost certainly would flock to Europe."

Inside Today

A Zhou dynasty bell, a "blockbuster" from James Lally's new gallery sale. Souven Mellikian reports, Page 6.

Business/Finance

Sweden imposed a price freeze on most goods and services. Page 7.

Pages 5 & 6 FOR MORE CLASSIFIED

## Language Purists Turn a Deaf Ear To Growing Use of Spanglish in U.S.

By Lydia Chavez  
New York Times Service

NEW YORK — To many Hispanic New Yorkers, *vaccinar la carpeta*. The phrase would baffle their counterparts abroad, however, since by most dictionaries it translates into "to vaccinate the portfolio."

Spanglish, the literate cry. But members of the little known North American Academy of the Spanish Language say Spanglish does not exist. There is no separate language, they argue, merely people who speak Spanish and English badly.

The North American academy — one of 22 academies in the Spanish-speaking world that are keepers of the language — was formed in New York in 1973. It is the youngest participant in a tradition that began in 1713 when King Philip V established the Royal Spanish Academy to "cultivate and to set standards for the purity and elegance of the Castilian tongue."

The 22 academies meet jointly every four years; the next meeting will be in 1988. Between these larger meetings, the North American academy, comprising 41 professors, linguists and authors, meets about six times a year to consider linguistic trends and to collect words for the Spanish dictionary.

The North American academy represents the fifth largest Spanish-speaking country and the most diverse. Moreover, with much of the

world's new technology developed in the United States, the academy has become useful in foreseeing the need for new words.

Although more tolerant of Anglicized Spanish than some of their Latin American colleagues, the

"Language is in continuous revolution, and we must recognize the changes imposed by the way people speak."

— Eugenio Chang-Rodriguez, Academy member

U.S. academy members are far from liberal.

"Language is in continuous revolution, and we must recognize the changes imposed by the way people speak," said Eugenio Chang-Rodriguez, a professor of Spanish at Queens College and a member of the academy.

He noted, however, that *carpetas* to describe a carpet was unacceptable, because Spanish already has a word for it — *alfombra*.

Moreover, even after a word has permeated the Spanish-speaking world, the academy waits to see if the word will survive the test of time.

"It usually takes decades," Mr. Chang-Rodriguez said.

Often, Anglicized words develop from necessity, said Theodore Beardsley, president of the Hispanic Society of America.

It was not until 1956, Mr. Beardsley noted, that Spain included a word for steering wheel in its official dictionary. By then, he said, it was too late to impose volente over the handful of other words that had been created throughout the New World.

While most of the very obvious aberrations of the language are heard on the street or seen in badly translated advertisements, Mr. Chang-Rodriguez said, he is most outraged when Anglicized words creep into the speech of educated people.

Lately, he said, at some of New York's most cultured Hispanic tables, he has heard, *aplicacion*, used to denote application instead of the Spanish word *solucion*.

## EC and U.S. Brace for Conflicts

### Grain Quarrel Is Settled but Other Disputes May Emerge

By Peter Maass  
International Herald Tribune

BRUSSELS — The European Community and the United States, after narrowly averting a trade war over American grain exports, are bracing for hostilities on other fronts.

Instead of opening a new period of cooperation, the compromise agreement reached Thursday after acrimonious negotiations appears to have fueled anti-American bitterness in the EC — notably in France, Greece and Spain. This could increase the chances of disputes emerging over such issues as aircraft subsidies, experts say.

"We're going into a period of more pugilistic trade policy," a U.S. diplomat said. "The Europeans are going to be combative and keep pushing."

Tensions increased Thursday night within the EC during talks to ratify the grain agreement. The problem centered on the pact's guarantee that foreign merchants be allowed an annual quota of 2.5 million tons (2.3 million metric tons) of corn and sorghum exports to Spain. Exports from the United States probably would account for two thirds of the quota.

Madrid resisted this clause, saying it was excessive and would harm the interests of Spanish farmers.

Some compromises were offered and Madrid backed down, but the incident illustrated the extent to which the grain battle has strained EC-U.S. relations.

Many trade experts said the notion of trans-Atlantic cooperation has taken a beating in the dispute. In the EC, they say, is a feeling that the community has again given in to pressure from Washington.

An EC grain official complained that "the community always ends up by accepting the will of the Americans."

This belief is as exaggerated as it is damaging, some trade officials say. Although they partly blame the United States, they say that the harsh attitudes, which show no signs of softening, are symptomatic of world economic imbalances, which aggravate trade tensions. A huge trade deficit and budget gap are causing the U.S. to pursue its trade rights more aggressively.

Meanwhile, the EC's Common Agricultural Policy, which subsidizes overproduction of farm products, is coming under worldwide attack for being protectionist.

These pressures have forced each side into positions where they have become more sensitive to domestic political lobbies, the experts say.

See EC, Page 5

## Military Bus Bombed in Spain; 2 Dead, 39 Hurt

ZARAGOZA, Spain — A car bomb destroyed a military bus in the central Zaragoza on Friday, killing an army major and the civilian driver and wounding 39 persons, the police said.

Police said they suspected that Basque separatists were responsible for the bombing.

About 200 pounds (90 kilograms) of explosives in the car went off when the bus, carrying instructors to the Zaragoza Military Academy, drove by during the morning rush hour.

The explosion ripped through the front

and side of the bus, killing the driver, Angel Ramos, 46, and wounding all 24 officers and enlisted men aboard the vehicle. Major Manuel Rivera, 45, died later in a hospital.

Doctors said six persons, five of them military officers, were in serious condition with eye wounds.

The attack sent shrapnel and glass flying up to 250 yards (230 meters) away, wounding 16 persons by and a blind 60-year-old woman sailing lottery tickets.

Interior Ministry sources in Madrid said they believed the attack was in retaliation for

setbacks that the Basque separatist group ETA has suffered in Madrid and the Basque region.

ETA, the Spanish acronym for Basque Homeland and Freedom, needed to show its strength after police captured nine suspected members of its Madrid Commando organization this month, the sources said.

The Madrid Commando staged two car bomb attacks in the Spanish capital last year, killing 17 paramilitary civil guards.

Military officials said it was the first guerrilla attack in Zaragoza in seven years.

## Israelis Report Soviet Contact

TEL AVIV — The Israeli and Soviet ambassadors to the United States held secret talks in Washington this week on Jewish emigration and a Soviet role in Middle East peace talks, Israeli Radio said Friday.

The Israeli Foreign Ministry declined to confirm or deny the report. Israeli and Soviet officials held a widely publicized meeting in Helsinki in August to discuss renewing consular ties but it broke down after only 90 minutes.

The latest report added to signs that Moscow is reviewing its policy toward thousands of "refuseniks" — Jews whose requests to emigrate to Israel have been rejected. Foreign Minister Shimon Peres said this week that Israel would only accept a Soviet presence at a Middle East peace conference if Moscow restored diplomatic relations with Israel, which were broken off after the 1967 Middle East war, and ended discrimination against Jews.



# 2 Dissidents in Soviet Will Be Freed, Forced to Leave, Sakharov Says

By Bill Keller  
New York Times Service

MOSCOW — The Soviet authorities have said that two prominent human rights campaigners, Anatoli Koryagin and Sergei D. Khodorovich, will be released from prison and forced to emigrate, according to Andrei D. Sakharov.

Mr. Sakharov, the dissident physicist, said Friday that the KGB, the Soviet internal security agency, had called in the wives of the two men and told them their husbands would be freed if the families agreed to apply for exit visas.

Both men were among 14 "prisoners of conscience" whom Mr. Sakharov had urged Mikhail S. Gorbachev, the Soviet leader, to free when Mr. Sakharov was allowed to return to Moscow from internal exile in December.

Mr. Khodorovich's wife, Tatyana, confirmed the report Friday and said that both she and her husband had reluctantly agreed to leave the country.

Western diplomats said the news appeared to be part of a broader acceleration in Soviet handling of dissident cases, including the unexpected release in recent days of at least four lesser-known dissidents and promises of drastic changes in the criminal laws governing political activities.

They cautioned, however, that in the past Soviet officials have sometimes told relatives that prisoners were to be released and failed to follow through. The wife of one leading dissident, Anatoli T. Marchenko, was invited to apply for emigration papers in December shortly before officials disclosed that her husband had died in prison.

Mr. Khodorovich, 45, was director of a fund to aid political prisoners. It collected money from foreign and Soviet donors to help dissident families with travel expenses, child support and other needs.

In 1983, he was charged with "slandering the Soviet state" and was sentenced to a labor camp in the northern Siberian town of Norilsk. Mr. Sakharov said that Mr. Khodorovich's health had deteriorated from frequent beatings and long terms in an isolation cell.

Dr. Koryagin, 48, a psychiatrist, was arrested in 1981 for smuggling to the West reports on use of Soviet mental hospitals to punish political and religious dissidents. He was sentenced to seven years of labor and five years of internal exile for disseminating "anti-Soviet propaganda."

Another prisoner on Mr. Sakharov's list of "prisoners of conscience," a former navigator, Serafim Yevsyukov, was recently released from a psychiatric hospital where he had been confined for protesting the refusal of Soviet authorities to let his family emigrate.

In Vienna, the Soviet justice minister, Boris V. Kravtsov, said Friday in a press conference that the Kremlin planned "radical measures" to alter two criminal statutes that have frequently been used against dissidents.

According to a Reuters report from Vienna, Mr. Kravtsov said the statutes, dealing with "anti-Soviet propaganda" and "slandering the Soviet state," were being reviewed in accordance with a decision by the plenary meeting of the Soviet Communist Party Central Committee.

"Radical measures will be taken in this particular area," he said. He was apparently referring to a party resolution issued Wednesday that called for new laws aimed at "safeguarding the rights and freedoms of citizens."



VIOLENCE IN PAKISTAN — A policeman pursues rioters in the Orangi district of Karachi, Pakistan, where police said Sunday at least eight persons had died and more than 100 were injured in rioting. The violence began Friday when members of the Bihari ethnic group demanded the release of Afaq Shahid, a Bihari leader.

## WORLD BRIEFS

### Blast Kills 4 Near Embassy in Kabul

ISLAMABAD, Pakistan (AP) — A car bomb exploded Sunday near the Indian Embassy in Kabul, Afghanistan, killing four people and wounding others, Radio Kabul said.

The broadcast did not say how many had been injured, but the United News of India news agency, in an unattributed report, said that 15 members of the Indian diplomatic staff and two Indian Airlines employees were injured.

The Afghan leader, Major General Najibullah, visited the embassy and blamed the bombing on Moslem guerrillas. There was no immediate claim of responsibility, and Moslem guerrilla leaders based in Pakistan said they had no information on the bombing.

### Some Spanish Students Halt Boycott

MADRID (Reuters) — A Spanish student organization has called off a boycott by high school pupils but said there would be more demonstrations this week against government education policy.

Leaders of Student Coordinator, one of two groups at the forefront of two months of unrest that has shaken the Socialist government, said Saturday they had decided to end the boycott because other methods would be more effective, though individual schools could continue stoppages if they wished.

The group said financial measures offered by Education Minister José María Maravall in talks Wednesday were inadequate, and that they would continue to press their demand for unrestricted access to universities, which Mr. Maravall rejects.

### Leaflets Attack Romanian Leader

BUCHAREST (Reuters) — Clandestine leaflets were distributed in the Romanian capital recently urging the removal of President Nicolae Ceausescu and calling for strikes, diplomatic sources said.

Diplomats from Western countries and some of Romania's Soviet allies said Saturday they had seen copies of two different leaflets circulated before Mr. Ceausescu's 68th birthday Jan. 26.

The leaflets urged people to strike Jan. 23, but there were no reports that they had any effect. Mr. Ceausescu has ruled Romania since 1965 and is one of the world's last Stalinist-style leaders.

### Barbie May Need Prostate Sur-

LYON (UPI) — Klaus Barbie, the former Gestapo chief who was deported to France from Bolivia in 1983, may have to undergo surgery to correct urinary-tract problems that caused him to be hospitalized last week, his lawyer said Sunday.

Jacques Vergès said after meeting with Mr. Barbie that if the condition requires surgery it should not delay the opening of Mr. Barbie's trial for crimes committed while he was the Lyon Gestapo chief from 1942 to 1944.

The trial of Mr. Barbie, 73, is tentatively scheduled for May or June.



Klaus Barbie

### Rhine Ship Collision Spills Fertilizer

DORMAGEN, West Germany (AP) — Forty-two tons of fertilizer spilled into the Rhine River on Sunday when a Swiss tanker anchored near here, authorities said. A freighter crew member and presumed drowned.

The Düsseldorf city government, which is responsible for Dormagen, a few miles upstream from where the accident occurred, said it had sounded the "international Rhine alarm" used in chemical accidents along the river.

The alarm was lifted at 4:30 P.M., but there was no possible environmental damage to the river. In November, a trial accident, including a fire at a warehouse in Basel, can spill into the Rhine.

### Acid Attack at Gaza School Injure

GAZA CITY, Israeli-Occupied Gaza Strip (AP) — Twelve girls were injured Sunday when masked men entered Shaufi High School in Gaza City and sprayed them with acid, military sources said.

In other violence, police said nine persons were wounded, one by a bomb explosion on an Israeli bus on the coastal highway between Haila and Tel Aviv. Several reports said factions of the PLO Liberation Organization claimed responsibility.

In addition, Israeli military sources said an Israeli man shot and wounded a 20-year-old Palestinian in the town of Rafah in Gaza after youths attacked his vehicle with stones.

### Sri Lanka Denies Accusation on Death

COLOMBO (Reuters) — The Sri Lankan government denied Sunday accusations that security forces killed more than 200 civilians in an anti-guerrilla operation last week.

A spokesman for a group called the Citizens' Committee said "it appears now that more than 200 people have been killed" in the attack on Wednesday in the eastern district of Batticaloa.

The government said that only four civilians, as well as 23 Tamil guerrillas and 13 security men, were killed when commandos raided rebel hideouts at Kottachicholai, about six miles (10 kilometers) southwest of Batticaloa. A spokesman called the accusations part of a "disinformation campaign."

### For the Record

Brazil's 559-member constituent assembly, charged with drawing up a constitution to replace that written during the 21-year military dictatorship that ended in March 1985, met for the first time Sunday in Brasilia.

The Long Island Rail Road, the largest U.S. commuter line, was back in operation Sunday for the first time since a strike began Jan. 18. The line went back into service because of a 60-day cooling off period ordered by Congress.

More than 100 people were arrested in a weekend raid on a West Berlin bar where a group of West Germans had gathered, allegedly to form an illegal Nazi-style political party, officials said Sunday. Several policemen and a government lawyer were injured in the raid.

### DOONESBURY



## Pakistanis Hold Talks In New Delhi

NEW DELHI (AP) — India and Pakistan continued high-level talks Sunday aimed at easing mutual tensions, but neither side appeared willing to halt large troop movements along the border that have spread alarm in both countries in the last two weeks.

An Indian spokesman said Saturday evening that the first talks, lasting four and a half hours, were "held in a frank, businesslike and cordial atmosphere, and promoted a better mutual understanding."

But he declined to comment on the substance of the discussions.

At issue are military maneuvers along a 250-mile (404-kilometer) section of the Pakistan border with northwest India. Recent buildup are reported to involve about 150,000 men on the Indian side and at least half that number on the Pakistani side.

In some cases, the troops are said to be within sight of each other, raising fears that an accidental shot could lead to fighting despite pledges by each side not to start a conflict.

India and Pakistan have fought three wars since their independence in 1947 and continue to trade angry charges on a variety of issues.

Taking part in the talks Saturday were delegations led by Abidus Sattar, the Pakistani foreign secretary, and Alfred S. Gonsalves, officiating foreign secretary for India. The discussions are scheduled to continue through Monday.

Indian and Pakistani officials say that neither country can afford a war, and that none of the disputes is sufficient cause for war.

Independent military analysts say India's forces are superior to Pakistan's in numbers and weaponry, and most analysts say that India would probably win a war. Many Pakistani analysts agree, and cite this as a reason Islamabad would not want to provoke a conflict.

## NATO Leaders Criticized

Mr. Perle sharply criticized European leaders on Sunday as "mealy-mouthed" in expressing their opinions on world security issues, The Washington Post reported from Munich.

His remarks, aimed at leaders of the North Atlantic Treaty Organization, provoked angry rebukes from representatives attending a defense conference here.

Michael Alexander, Britain's representative to NATO, said, "There is no point in being gratuitously offensive with each other."

Mr. Perle, in a speech before more than 150 officials attending the meeting, said NATO leaders usually returned to "misty blandishment" when it came to speaking out on the issues.

## Gandhi's Driving Causes Accident

NEW DELHI — Prime Minister Rajiv Gandhi, a former commercial pilot, drove his Mercedes so fast through central New Delhi that his escort car was involved in an accident and the driver was injured, Sunday newspaper reported.

The Sunday Observer and Sunday Mail said the accident occurred Friday when Mr. Gandhi was late for a public ceremony. The reports said he was driving 72 miles per hour (120 kilometers per hour) and then suddenly slowed, forcing one of his escort cars to run into a curb in order to avoid hitting the prime minister. The driver was injured and the escort car badly damaged, they said.

The Observer said it was the fifth time that Mr. Gandhi's security cars had been involved in accidents because of the 42-year-old prime minister's driving. "Gandhi's speeding and insistence on driving his own vehicle is a constant nightmare to his security staff," The Mail reported.

## U.S., Soviet to Discuss Treaty Limits On Developing Defensive Systems

By Michael R. Gordon  
New York Times Service

WASHINGTON — American and Soviet negotiators have agreed in Geneva to set up a special working group to discuss what research, development and testing are allowed for defensive systems by the 1972 anti-ballistic missile treaty, administration officials say.

The move by the negotiators has been vigorously opposed by the Defense Department, which has argued that the United States should not take part in such a group.

Richard N. Perle, an assistant secretary of defense, assailed the move to set up the working group in a meeting Thursday, officials said. The session was attended by Max M. Kampelman, the chief American arms negotiator, who has returned from Geneva.

In a related development, Yevgeni P. Velikhov, a vice president of the Soviet Academy of Sciences, met with Paul H. Nitze, an adviser on arms control issues to Secretary of State George P. Shultz. Soviet and American officials said they had discussed the question of setting up discussions on what kind of space weapons and space tests are banned by the ABM treaty.

Although Soviet officials have proposed a strict interpretation of the treaty, the Reagan administration has said it has the right to adopt a loose interpretation that would allow extensive testing of new types of space-based systems such as the Strategic Defense Initiative.

Some administration officials say they believe that the differences between the two sides on this question will ultimately have to be bridged if an arms agreement in Geneva is to be reached. But other administration officials say the United States should not compromise on the issue.

The dispute over procedures in the Geneva talks takes place amid important developments concerning the ABM treaty and defensive systems. Government experts are assessing intelligence reports, for example, that the Soviet Union may be dismantling part of its disputed early warning radar at Krasnoyarsk in central Siberia.

Air Force intelligence officers have reportedly said there were signs that the Soviets might be removing some antennas from the radar and electronic equipment from within the radar building. But other officials said the intelligence on this was not yet clear. The United States says the radar violates the ABM treaty and has asked the Soviet Union to dismantle it.

## Bonn May Buy, Destroy Radioactive Milk

By John Tagliabue  
New York Times Service

BONN — West Germany's minister for the environment, Walter Wallmann, has suggested that the Bonn government is considering disposing of 3,000 tons of radioactive powdered milk as contaminated waste and compensating its owners.

The milk, which is under police guard in rail yards in the northern cities of Bremen and Cologne, has become an embarrassment for the Bonn government after evidence emerged suggesting that it was to be exported to Angola and Egypt.

In an interview with the Hamburg newspaper Bild am Sonntag, Mr. Wallmann said Saturday that Bonn sought "a reasonable solution" in disposing of the milk. The milk is from cows that ate grass contaminated by fallout from the Chernobyl nuclear accident.

According to Bremen health officials, samples of the milk had radiation levels of nearly 6,000 becquerels per kilogram when tested.

European Community rules permit a maximum radiation level of 370 becquerels per kilogram in milk and dairy products for human consumption. The bequerel is a standard measure of radioactivity.

A squabble developed among several West German states last week after Bremen and Cologne refused to release the milk for export, and officials in Bavaria, where the milk came from, refused to take it back.

The powdered milk in Bremen is owned by a company named Lopex Export. The owner of the milk in Cologne has not been identified. Tests of the powder in Cologne showed radiation levels of about 2,400 becquerels, the police said.

The milk began its trip in a freight yard in the Bavarian town of Rosenheim, where it was stored six months ago after Bavarian health officials deemed it unfit for animal or human consumption.

Bremen and Cologne have demanded that the milk be taken back to Bavaria. But Bavaria has refused, arguing that it could be mixed with animal feeds and safely sold for consumption by livestock.

Some of the squabble is explained by politics. Bremen and North Rhine-Westphalia, where Cologne lies, are governed by environmental-minded Social Democrats, while Bavaria is the stronghold of the Christian Social Union, the most conservative wing of the Christian Democratic Party.

According to a Bremen police spokesman, about 2,000 tons of the powder, now in Bremen, were destined for purchasers in Egypt, and an additional 1,000 tons, now in Cologne, were to be shipped by river barge to Rotterdam and then to Angola.

The Bavarian authorities reportedly approved the sale of the milk powder in December after they received assurances that it would be cut with other animal feeds to acceptable radiation levels.

But the police in Bremen said there was strong evidence the milk was to be shipped unchanged. Officials of a milk processing company in Bremen that was supposed to mix the powder with safe feeds said they knew nothing of such plans.

West Germany paid hundreds of thousands of dollars to German farmers after the Chernobyl disaster to compensate for losses incurred when they were forced to destroy contaminated crops.

## Yves Allégret, Film Director, Dies

PARIS — Yves Allégret, 79, a film director and a leading figure in French films, died Saturday, his family said. The cause of death was not announced.

Mr. Allégret learned to direct as an assistant to his brother Marc and to Jean Renoir. As a young man in the 1930s, he was linked to the surrealist and Trotskyist movements.

He directed his first film in 1941 and made light comedies during the war. But his major works were social criticism and came after the liberation of France. Some starred Simone Signoret, whom he married in 1946. The couple divorced, and

## Gunmen Kill Wife of Irish Guerrilla

By Associated Press

DUNDALK, Ireland — Two gunmen shot and killed the wife of a jailed Irish nationalist guerrilla as she was bathing her 9- and 11-year-old sons, the police reported.

The men entered through the back door of Mary McGlinchey's home Saturday night, went upstairs and shot her in the head, police said. Neighbors, who heard gunfire and screaming, found Mrs. McGlinchey, 29, slumped over the bathtub, the police said.

Police roadblocks were set up around Dundalk, which is near the border with Northern Ireland.

Dominic McGlinchey, 32, a former chief of the Irish National Liberation Army, a Marxist offshoot of the Irish Republican Army, was convicted in March of shooting at police and having a gun with intent to endanger life. He is serving a 10-year term at Portlaoise prison in central Ireland.

He was extradited back to Ireland in October 1985 to face charges stemming from a gun battle with the police who captured him in County Clare on March 17, 1984.

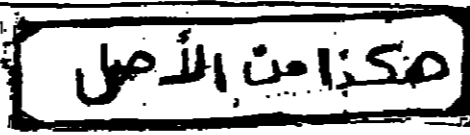
The Irish Republican Socialist Party, the political wing of the Irish National Liberation Army, said in a statement Sunday that Mrs. McGlinchey's killers belonged to a breakaway faction of the group. It described them as "pro-British agents."



Mary McGlinchey

## University Degree

BACHELORS - MASTERS - DOCTORATE  
For Work, Academic, Life Experiences.  
Send detailed resume for free evaluation.  
PACIFIC WESTERN UNIVERSITY  
600 N. Serrano Ave., Los Angeles, California 90049, Dist. 22, U.S.A.





# Senators, Witness Clash on U.S. Drug Plan

By Bernard Weinraub  
New York Times Service

WASHINGTON — In an unusual display of frustration and abandonment of decorum, two senators shouted down a Reagan administration spokesman at a hearing and attacked proposed cuts in anti-narcotics programs.

Because President Ronald Reagan and his wife, Nancy, have termed efforts to fight narcotics a major priority, the administration's proposed budget cuts involving enforcement and education have come under special criticism within Congress.

However, the hearing Thursday of the Senate Appropriations Committee's Subcommittee on Labor, Health and Human Services and Education was marked by the most vocal attacks yet.

Senator Alfonse M. D'Amato, Republican of New York, told the administration witness, John Walters, "For God's sake, get in the real world!"

Senator Lawton Chiles, Democrat of Florida, who is normally low-keyed, grew red-faced when Mr. Walters defended the administration's proposal to cut the funds for narcotics education in 1988, by one-half, to \$100 million. Congress appropriated \$200 million for the effort in the 1987 fiscal year.



'You've got a national epidemic that is killing our youngsters, and I don't think that you have the slightest idea that it is taking place.'

—Alfonse M. D'Amato, senator from New York

Some of the investigations may be turned over to the special prosecutor in the Iran-contra case, Lawrence E. Walsh. In announcing his appointment as independent counsel, a three-judge panel asked Mr. Walsh to investigate the sale of weapons to Iran and reports by the White House that millions of dollars from the sales had been diverted to the Contras.

These are the federal investigations known to involve the Contras or their supporters:

• An investigation by the U.S. attorney in Miami of charges that weapons were smuggled to the Contras from a Florida airport in 1985.

• An investigation by the same office of a Miami-based cargo carrier that has been involved both in the Iran arms sales and the secret efforts to supply the rebels.

• A criminal investigation of what happened to the \$27 million Congress granted to the rebels in 1985.

• A federal investigation of charges that the Americans taking arms to the rebels also smuggled drugs.

• An FBI investigation of a burglary at the offices of a group that has opposed the administration's policies in Central America.

Some of the investigations may be turned over to the special prosecutor in the Iran-contra case, Lawrence E. Walsh. In announcing his appointment as independent counsel, a three-judge panel asked Mr. Walsh to investigate the sale of weapons to Iran and reports by the White House that millions of dollars from the sales had been diverted to the Contras.

These are the federal investigations known to involve the Contras or their supporters:

• An investigation by the U.S. attorney in Miami of charges that weapons were smuggled to the Contras from a Florida airport in 1985.

• An investigation by the same office of a Miami-based cargo carrier that has been involved both in the Iran arms sales and the secret efforts to supply the rebels.

• A criminal investigation of what happened to the \$27 million Congress granted to the rebels in 1985.

• A federal investigation of charges that the Americans taking arms to the rebels also smuggled drugs.

• An FBI investigation of a burglary at the offices of a group that has opposed the administration's policies in Central America.

"Why not spend \$400 million? Why not \$600 million?" Senator D'Amato responded, "Don't tempt us."

He went on: "You've got a national epidemic that is killing our youngsters, and I don't think that you have the slightest idea that it is taking place. You know what this does? It sends the wrong message. It sends the message that we're not dealing seriously with this, that we're not acknowledging the problem. We ought to be ashamed of ourselves."

The administration has proposed \$913 million in cuts in the 1988 budget for all law enforcement, prevention, education and treatment programs involving drugs. The administration's anti-drug efforts over a period of several years originally called for more than \$3 billion.

Administration officials have defended the cut in funds for education, saying that the \$200 million for 1987 was used for "start-up activities" such as the purchase of materials. They said these would not have to be provided in later years.

## AMERICAN TOPICS

### Regional Orchestras Playing the Blues

More U.S. symphony orchestras are in trouble than at any time since the Depression of the 1930s, afflicted with strikes and lockouts, struggling to raise money and in some cases canceling seasons and even, in the case of the Oakland Symphony in California, going bankrupt. The smaller regional orchestras are chiefly affected.

The New York Times said orchestra officials and union negotiators cite a tough new climate in labor negotiations generally, greater difficulty in fund-raising caused in part by government and foundation cutbacks, and overly rapid growth in middle-level orchestras. The 16 U.S. regional orchestras in 1975 had grown to 39 a decade later.

The rash of corporate takeovers has hurt Catherine French, chief executive of the American Symphony Orchestra League, says. "If one corporation takes over another, their two charitable giving components become one charitable giving component, and one plus one does not equal two."

Some experts worry that the declining level of arts education will erode interest in symphonic music. Others are concerned that an increased sophistication boom of recordings has led to demands for a level of performance that small communities cannot afford.



Members of the symphony orchestra in Columbus, Ohio, manning the picket line.

switch an "overreaction." Sam Goddard, state Democratic chairman, said that in opposing the governor's stand, "we need support from the national party; instead it is interfering."

A mural will be painted soon in the U.S. Capitol building to honor the seven astronauts of the space shuttle Challenger who were killed when the shuttle exploded a year ago. The mural was jointly proposed by Senators Robert C. Byrd of West Virginia, leader of the Democratic majority, and Bob Dole of Kansas, leader of the Republican minority.

Exactly half the offenders were known to their victims in 20 million cases of rape, robbery and

assault recorded from 1982 through 1984, the U.S. Justice Department says; 46 percent of the crimes were committed by total strangers, 31 percent by friends and acquaintances, 8 percent by relatives and 11 percent by persons known to the victims on sight. The remaining 4 percent could not be classified.

The American Civil Liberties Union is running a petition campaign for the removal of Attorney General Edwin Meese 3d from office, accusing him of "attacks on freedom of speech" and "failure to enforce the civil rights laws." Ari Koppivaara, the chief ACLU spokesman, told The New York Times that the response has been enthusiastic: About four

percent of the people contacted by mail had signed, or significantly more than the less than one percent who respond to similar mailings.

Shorter Takes: "The intelligence process is often like a jigsaw puzzle," observes William E. Colby, former director of the Central Intelligence Agency. "That is, the picture becomes clear long before the last piece is in." • From the police log of the Winchester Star in Massachusetts, as reported in Road & Track magazine: "A Cross Street resident reported her own car as a suspicious vehicle parked in the driveway."

—ARTHUR HIGBEE

## U.S. Agencies Push Contra Inquiries As Reagan Urges New Aid for Rebels

By Philip Shenon  
New York Times Service

WASHINGTON — Several federal agencies are pressing on with at least seven criminal investigations of the Nicaraguan rebels and their American backers, even as President Ronald Reagan is urging Congress to provide new aid for the Contras.

A review of the investigations has uncovered several previously undisclosed — and so far unproved — charges involving the Contras as well as investigations that had not been previously known.

For example, congressional sources disclosed in recent days that the Federal Bureau of Investigation had opened a criminal investigation to determine what happened to most of the \$27 million for nonlethal supplies for the rebels that Congress approved in 1985. A General Accounting Office report published earlier said most of it could not be traced.

Investigators also disclosed in the past several days that the GAO had begun a separate inquiry into the whereabouts of millions of dollars that apparently were supposed to be funneled to the Contras from the sale of U.S. weapons to Iran.

Other open investigations, most of them previously known, focus on charges that the rebels or their

backers smuggled arms, trafficked in drugs, laundered money or violated the Neutrality Act, which bars Americans from involvement in military efforts against countries not at war with the United States.

In addition to these inquiries, a special prosecutor and two congressional committees examining the Iran-contra affair are investigating charges of illegality tied to the rebels.

The investigations pose a dilemma for the Reagan administration. As it pushes for additional support for the Contras, the administration also is compelled by statute to investigate reports that the rebels might have broken the law. The administration is asking Congress for \$105 million in aid for the rebels for the 1988 fiscal year, which begins in October.

Investigators say Mr. Reagan's outspoken public support for the Contras has made it difficult for prosecutors and other federal agents to carry out their work. Law enforcement officials have repeatedly denied accusations that, because of administration pressure, their inquiries were unnecessarily slow or incomplete.

The investigations are being conducted by a variety of agencies, including the Justice Department, the Federal Bureau of Investigation,

## White House Presses Plan On Arms Sale

By David B. Ottaway  
Washington Post Service

WASHINGTON — The Reagan administration has notified Congress that it intends to sell \$2.2 billion worth of arms to Saudi Arabia, Egypt and Bahrain this year, according to Defense and State Department officials.

The sales are the first in a series the administration is expected to propose over the coming months for moderate Arab nations shaken by recent disclosures of secret U.S. arms sales to Iran.

Also under consideration, according to pro-Israeli sources, is a proposal to provide Jordan with equipment to convert its fixed Improved Hawk anti-aircraft missiles into mobile units, and the sale to Saudi Arabia of helicopters and electronic countermeasure equipment for its U.S.-built F-15 jets.

These sources said the administration has begun informal consultations with key congressional committees on the potential reaction in Congress to the sales, which pro-Israeli congressmen have strongly opposed.

A State Department official confirmed that a proposal to sell Saudi Arabia 28 Sikorsky Blackhawk and Bell 406 helicopters was expected shortly and that the department has sounded out some congressional committees on the possible sale of electronic countermeasure equipment to that nation.

The formal notifications made Tuesday to Congress stipulate the sale of 40 F-16C and F-16D aircraft to Egypt at a cost of \$1.3 billion and 12 F-16s to Bahrain for \$400 million.

Last week, Congress was notified that the administration also planned to sell 200 Bradley Fighting Vehicles, an armored personnel carrier, worth \$500 million to Saudi Arabia.

It is the first time the United States has sold F-16s to Bahrain or Bradley Fighting Vehicles outside the U.S. military. The price of \$2.5 million per unit that the Saudis will be paying for the Bradley vehicles appears extremely high compared with the \$1.3 million to \$1.8 million the U.S. Army normally charges.

The sales to Egypt and Bahrain come under the Foreign Military Sales Program and require 20 days of informal notification and 30 days of formal notification to Congress, which would have to pass a joint resolution of disapproval to block the sales. The Bradley vehicles for Saudi Arabia, however, are a straight commercial sale requiring formal notification only.

Some of the investigations may be turned over to the special prosecutor in the Iran-contra case, Lawrence E. Walsh. In announcing his appointment as independent counsel, a three-judge panel asked Mr. Walsh to investigate the sale of weapons to Iran and reports by the White House that millions of dollars from the sales had been diverted to the Contras.

These are the federal investigations known to involve the Contras or their supporters:

• An investigation by the U.S. attorney in Miami of charges that weapons were smuggled to the Contras from a Florida airport in 1985.

• An investigation by the same office of a Miami-based cargo carrier that has been involved both in the Iran arms sales and the secret efforts to supply the rebels.

• A criminal investigation of what happened to the \$27 million Congress granted to the rebels in 1985.

• A federal investigation of charges that the Americans taking arms to the rebels also smuggled drugs.

• An FBI investigation of a burglary at the offices of a group that has opposed the administration's policies in Central America.

### Short Takes

Paul G. Kirk Jr., chairman of the Democratic National Committee, moved a February meeting of the party finance council from Tucson, Arizona, to Newport Beach, California, to protest the cancellation of Arizona's observance of the Martin Luther King holiday on Jan. 19 by Governor Evan Mecham, a Republican.

"The Democratic party is taking a stand against injustice," Mr. Kirk said. But Arizona Democrats were not pleased. Representative Morris K. Udall called the

## Charles Wolcott Dies; Baha'i Leader and Musician

The Associated Press

HAIFA, Israel — Charles Fredrick Wolcott, 80, a leader of the Baha'i religion and a former music arranger, died Wednesday of natural causes.

Mr. Wolcott was a music arranger for Walt Disney Studios between 1934 and 1944, and had worked with a number of jazz musicians, including Tommy Dorsey and Benny Goodman. He arranged "Rock

Around the Clock," one of the first rock 'n' roll hits.

He joined the Baha'is in 1938 and served on its National American Spiritual Assembly from 1955 and 1961.

In 1961, he was elected one of the nine members of the international assembly and later became secretary-general of the Universal House of Justice, the governing body of the Baha'i faith.

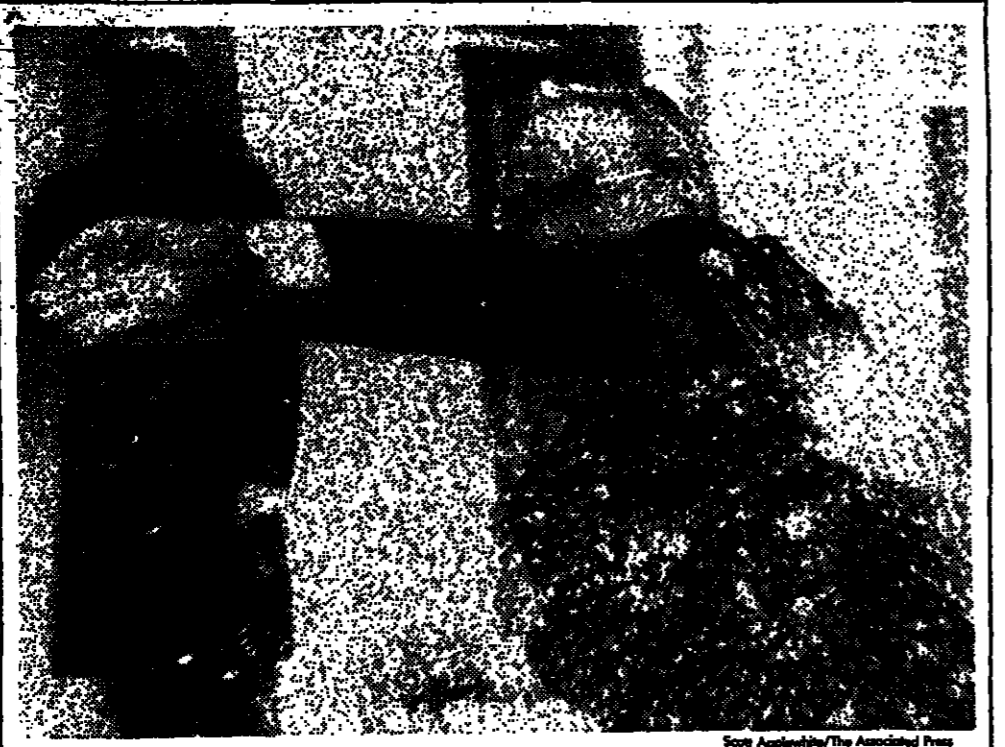
### Other deaths:

Vincent R. Impellitteri, 86, who defied New York's Democratic machine of Tammany Hall and was elected mayor as an independent in 1950, of heart failure Thursday in Bridgeport, Connecticut.

Josep Fois, 94, a Catalan poet, Thursday of a heart attack in Barcelona, Spain. Many of his works were translated into Spanish, French and Italian.

Charles DeBenedetti, 44, a professor of history at the University of Toledo and expert on U.S. diplomacy and the American peace movement during the Vietnam War, Tuesday of a brain tumor in Toledo, Ohio.

Ralph Faulkner, 95, who taught swordplay to movie actors, including Errol Flynn and Douglas Fairbanks Jr., Wednesday in Burbank, California.



RETURN FIRE — Jim Wright of Texas, speaker of the House of Representatives, prepares to fire back at a journalist who scored a hit with a snowball as he and other congressional leaders left the White House after meeting President Ronald Reagan.

## U.S. Court Bars Biography of J.D. Salinger

By Arnold H. Lubasch  
New York Times Service

NEW YORK — A U.S. appeals court in Manhattan has blocked publication of a biography of J.D. Salinger, saying the book unfairly used the writer's unpublished letters.

Reversing a lower court decision, the appeals court ruled in favor of Mr. Salinger, who filed suit to prohibit the biography from using any material from the letters, which he wrote many years ago.

"We're delighted," said R. Andrew Boose, the attorney for Mr. Salinger. "We've told him of the decision, and he is also delighted."

The disputed biography, "J.D. Salinger: A Writing Life" by Ian Hamilton, was to be published last year by Random House, but it was held up by the unusual case.

A Random House spokesman said after the ruling Thursday, "We are not going to be able to comment until we've had a chance to study the opinion." The only further legal appeal for the publishing house is in the Supreme Court of the United States.

In its 24-page decision, the U.S. Court of Appeals for the 2d Circuit said the case focused on "whether the biographer of a renowned author has made 'fair use' of his subject's unpublished letters."

According to legal scholars, the "fair use" standard is vague and open to wide interpretation.

had not seen the opinion. But from the language the court used in announcing the decision, he said, "then the conclusion is inescapable — the judgment had to follow, as the night the day."

But Floyd Abrams, another lawyer, expressed reservations. "It seems to me a deeply troubling limitation on the ability of a publisher to print a significant book," he said, "and of the public to learn about one of the most fascinating and important writers of our time."

Mr. Salinger wrote the letters to his friend and editor, Whit Burnett, and to several other people, including Ernest Hemingway.

The biography, the appeals court said, "copies virtually all of the most interesting passages of the letters, including several highly expressive insights about writing and literary criticism."

In a footnote, the court's decision cited a letter in which Mr. Salinger complained about an editor who praised one of his stories while rejecting it. "Like saying," he wrote, "she's a beautiful girl, except for her face."

Another letter criticized Wendell L. Willkie, the 1940 presidential candidate, saying, "He looks to me like a guy who makes his wife keep a scrapbook for him."

The decision included another footnote referring to a 1943 letter in which Salinger, distressed that Oona O'Neill, whom he had dated, had married Charlie Chaplin, expressed his disapproval of the marriage in this satirical invention of his imagination:

"I can see them at home evenings. Chaplin squatting grey and nude, atop his chignonier, swinging his thyroid around his head by his bamboo cane. Like a dead rat. Oona in an aquamarine gown, applauding madly from the bathroom."

"I'm facetious," the letter added, "but I'm sorry. Sorry for anyone with a profile as young and lovely as Oona's."

In reversing a ruling issued on Nov. 5 in U.S. District Court in Manhattan, the appeals court declared Thursday that the biography could not be published in its present form.

"The plaintiff J.D. Salinger," the appeals court noted, "is a highly regarded American novelist and short-story writer, best known for his novel 'The Catcher in the Rye.' He has not published since 1965 and has chosen to shun all publicity and inquiry concerning his private life."

"The defendant Ian Hamilton is a well respected writer on literary topics," it continued. "He serves as literary critic of The London Sunday Times and has authored a biography of the poet Robert Lowell."

Mr. Hamilton, who wrote the biography despite Mr. Salinger's refusal to cooperate with him, made use of the unpublished Salinger letters, which were written between 1939 and 1961. The recipients or their representatives donated the letters to university libraries, where they were discovered by Mr. Hamilton.

When Mr. Salinger, 68, learned that the letters were being used in

the biography, he registered them for copyright protection and objected to the biography's publication unless all of the material from the letters was deleted.

The appeals court rejected arguments that withholding the letters would significantly interfere with "public knowledge of history."

"Salinger's letters contain a number of facts that students of his life and writings will no doubt find of interest," it continued, "and Hamilton is entirely free to fashion a biography that reports these facts."

"But Salinger has a right to protect the expressive content of his unpublished writings for the term of his copyright," it added, "and that right prevails over a claim of fair use under ordinary circumstances."

### Reagan Presents Medal To Speakes on Departure

United Press International

WASHINGTON — President Ronald Reagan awarded his departing chief spokesman, Larry Speakes, the Presidential Citizens Medal on Friday in recognition of his having "faithfully served the cause of truth."

Mr. Speakes has resigned to take a job paying an estimated \$250,000 a year as chief of communications for Merrill Lynch Co. He held the White House post for almost six years and gave 2,000 daily news briefings.

SEEMILES AHEAD  
CARRERA and the America's Cup. A winning combination.

At the America's Cup, the world's most prestigious sailing event, the participants have only two things in sight — CARRERA sunglasses and victory.

As official supplier to this international open sea regatta, CARRERA with its Sun Protection System. C 60 for moderate protection; C 80 for strong protection; and C 100 for extreme protection; guarantees perfect vision in all light conditions.

CARRERA  
SPORTSGLASSES



INTERNATIONAL Herald Tribune

Reagan's Other Script

The president had two scripts for his State of the Union Message on Tuesday night — and delivered the wrong one. The speech he delivered in person followed with state wind. His written message crackles with energy, spelling out how to rebuild America's competitive pre-eminence.

other for layoffs because of foreign competition, still others for those who lack job skills. Mr. Reagan's proposal abandons such distinctions and concentrates on education and training for employable skills.

Reaching Out to the ANC

The Reagan administration has come under heavy fire from the American right for extending its constructive engagement policy from the white South African government to the black nationalist resistance organization, the African National Congress.

peaceful tactics, democracy and an open economy. The United States also becomes able to address all the major South African players and not to be identified any longer as having all or most of its hopes vested in the white minority regime.

Infinity on a Child's Coat

Walk out into the snow and, without feeling a crunch under your foot, you will be crushing thousands on thousands of nature's most marvelously varied creations.

Alexander's armies as they invaded India and Hannibal's elephants as they reached for Rome. The mountains of snow piled on the polar ice caps carry the history of the Earth's ancient weather.

Other Comment

On Trade, a Welcome Truce

Representatives of the European Community have endorsed a draft agreement designed to avoid, for the moment at least, the threat of a debilitating trade war between America and Europe, sparked by the accession of Spain and Portugal to the EC.

Washington and Brussels to begin dismantling their vast agricultural subsidy programs, which brought us to the edge of the precipice in the first place.

Gorbachev's 'Daring Concept'

The differences between what Deng Xiaoping is doing and the policies pursued by (Mikhail) Gorbachev are striking. The Chinese are already dealing with such concepts as stock markets. Major foreign investments are contemplated. Private businesses are sprouting. Mr. Gorbachev is still dealing with the daring concept of whether votes in the Communist Party may be cast in secret.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982

KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

LEE W. HUEBNER, Publisher

PHILIP FOISIE, Executive Editor • WALTER WELLS, Editor • SAMUEL ABT, KATHERINE KNORR, and CHARLES MITCHELLMORE, Deputy Editors • CARL GEWIRTZ, Associate Editor • ROBERT J. DONAHUE, Editor of the Editorial Page

RENÉ BONDY, Deputy Publisher • ALAIN LECOUR and RICHARD H. MORGAN, Associate Publishers • FRANÇOIS DESMARELONS, Circulation Director • ROLF D. KRANEFELD, Advertising Sales Director

International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92300 Neuilly-sur-Seine, France. Tel.: (1) 46.37.93.00. Telex: Advertising 613595; Circulation 612832; Editorial 612718; Production 630698.

Directeur de la publication: Walter N. Thayer

Editor for Asia: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel: 473-7768. Telex: RS56928

Editor for Europe: Alan M. Ginter, 30 Gloucester Road, Hong Kong. Tel: 5-8610616. Telex: 61170

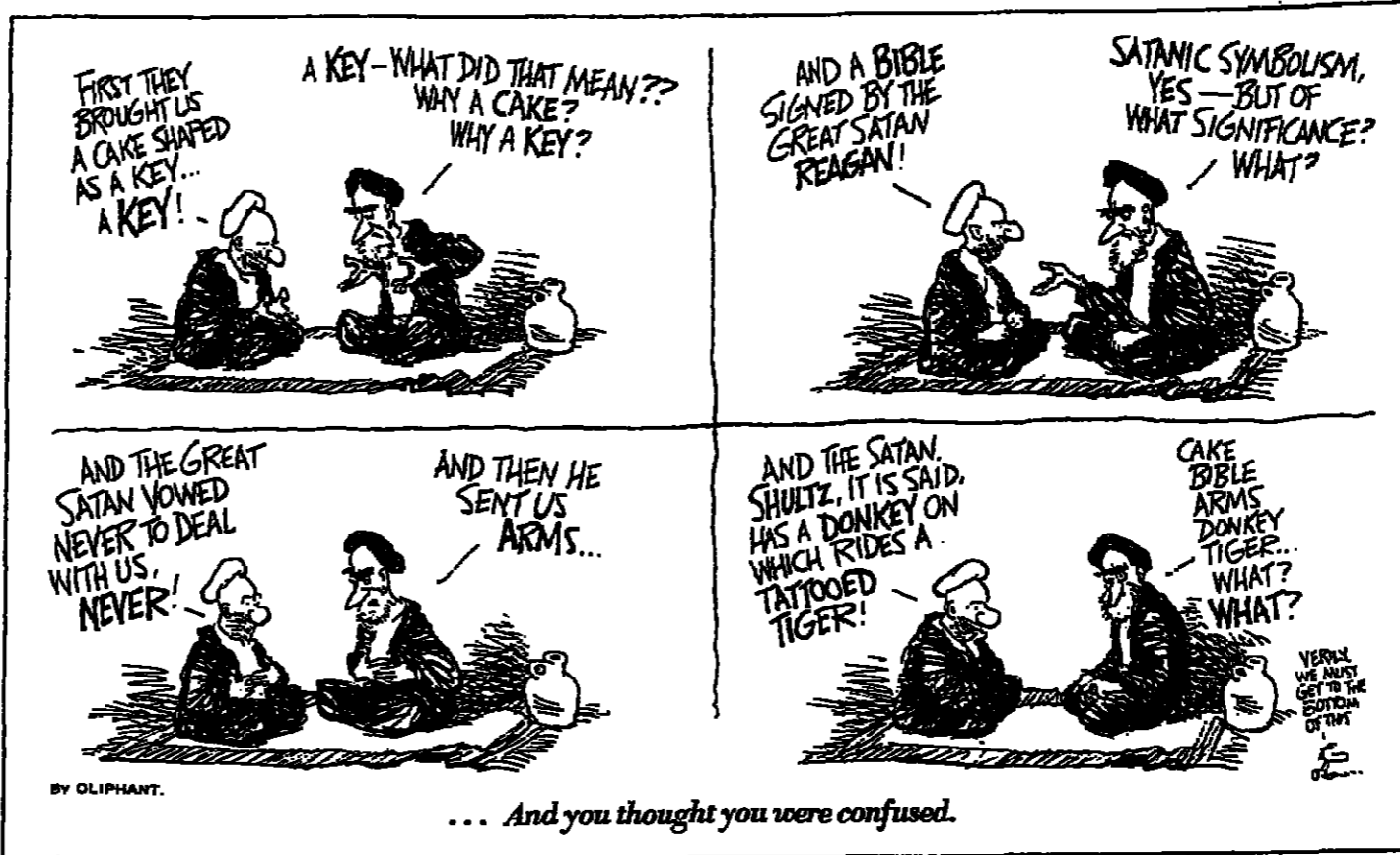
Editor for Latin America: Robert J. Donahue, 63 Long Acre, London WC2E. Tel: 836-8922. Telex: 63029

Gen. Mgr. W. Conway, W. Lambert, Frankfurt 15, 6000 Frankfurt N. G. Tel: (069) 726755. Telex: 416272

Pres. U.S.: Michael Conway, 850 Third Ave., New York, N.Y. 10022. Tel: (212) 753-3890. Telex: 47175

S.A.: an official of 1,200,000 F. RCS Nanterre B 73202126. Commission Paritaire No. 61337

OPINION



... And you thought you were confused.

Competition Is Gorbachev's Goal — Not Democracy

By William Pfaff

PARIS — It is deeply misleading to speak of Mikhail Gorbachev's proposals Tuesday to the Communist Party's Central Committee plenum as implying "democratization" of the Soviet system. Democracy is a word drawn from the Greek roots for "people" and "rule," and what Mr. Gorbachev is proposing has nothing to do with popular rule.

chooses. The constraints on Mr. Gorbachev are internal ones. They are those imposed by the Communist leadership's own system of belief, the doctrine from which it draws its legitimacy. They are the limits imposed by the nation's own historical nature and capacity for change. It is no accident that political life under communism in Russia has in several important respects resembled political life in czarist Russia.

In South Africa, Hope Lies in Democratic Change

By Paul N. Malherbe

CAPE TOWN — Anyone who believes peaceful change in South Africa can come through the Nationalist government simply does not understand just how committed it is to holding on to permanent white hegemony, or overlordship. It is time to recognize that any policy directed at persuasion of the present government, whether by carrot or stick, will run into the same obstacles encountered in attempts to persuade the Smith government in Rhodesia, which scummed out after 15 years of isolation and 20,000 deaths in the bush war — a toll that in South Africa could be 10 times greater.

to develop, in consultation with extraparliamentary groups such as the ANC, an election platform indicating what it has in mind as a credible first step. With elections now set for May 6, this cannot be deferred. Intentions and goals must be made widely known among the electorate to ease white fear and gain the understanding and cooperation of blacks. A list of these might include the following:

No Cheers For Reagan This Time

By David S. Broder

WASHINGTON — The morning after President Reagan's State of the Union address, morale inside the White House and in several cabinet departments was probably at the lowest ebb in six years.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

Mr. Reagan's speech was down from the rostrum of the House chamber to cheers and applause. But the less lustrous pudding of the speech he delivered left no rallying point for his embattled party on Capitol Hill.

A Negotiated Solution: The Will Is There

By Robert H. Phinny

PALM SPRINGS, California — The peaceful change away from apartheid that South Africa claims to seek is now seeking South Africa. If the government of President Pieter Botha fails to see the will of the people, both black and white, as recently manifested in a power-sharing proposal for Natal Province, it will be replaced, and rightly so. A successor government would most likely be of the far right or the far left. Neither would bring peace and stability.

Natal constitution was unappealing to the far right, meaning the conservative Afrikaners, and unacceptable to the far left (the African National Congress and South African Communist Party), it merited consideration by the other three provinces.

LETTER

Clean the Stable

The Reagan administration, in its attempt to trivialize the Iran-contra affair, first blamed it on Oliver North and John Poindexter, then on Israel. After that, an acute case of amnesia seized the nation's executive. Finally, there were calls for the president to apologize and assume responsibility.

LETTER

1912: Strike in Lisbon

LISBON — A Council of Ministers was held [on Jan. 30] at the Ministry of War to discuss the situation created by the general strike. It was decided, in order to re-establish order in the streets, that the troops should make raids, arresting people "en masse," and should seize all firearms. The ringleaders have been arrested, and the Republican Guards in Rocio square and in the Alcantara suburb. A state of siege will be declared in Lisbon and reinforcements of troops are arriving. Citizens have been warned not to leave their houses after 8 P.M. The streets of Lisbon are practically deserted of vehicles and are guarded by troops. The gas and electricity works are under the protection of a force of soldiers. Bands of strikers who assembled in the Praça do Comercio were dispersed with difficulty by cavalry.

1937: Hitler's Fifth Year

BERLIN — Chancellor Adolf Hitler began his second four-year term [on Jan. 30] by telling the Reichstag, the German nation and the world that "the era of so-called steps" — those periodic dramatic strikes taken by the Führer which have shaken the structure of European peace — is now ended. "As a state now enjoying equal rights with other states and conscious of her European obligations, Germany," he said, "will cooperate loyally in a solution of the problems affecting us and other nations." He replied to the recent appeal of Foreign Secretary Anthony Eden by a statement in principle of his preparedness to collaborate, pointing to the Bolshevik scare, by criticism of the League of Nations, by defense of the Nazi blood and race thesis as one which will bring about "a revolution in knowledge and in the conception of history."



Student Protest Closes University in Mexico; Spread of Unrest Feared

By William A. Orme Jr.
Washington Post Service
MEXICO CITY — Mexico's strongest student protest movement in almost two decades has shut down the huge National Autonomous University in a strike that the authorities fear could stir wider unrest.

Moments after midnight Thursday, leaders of the university's student council draped red-and-black strike banners on school installations, beginning a closure that some said could last for months.

Condemning the student action, the university's administrator, Mario Ruiz Massieu, said the students could cause "irreversible damage to their school and their country."

Leaders of the government-affiliated Labor Congress warned that the strike could "detonate" wider social and economic conflicts and urged a prompt settlement.

The strike comes after weeks of student agitation against more stringent admission and examination standards and higher fees, changes the students assailed as "elitist."



A RITUAL RETURN — Troops of the Ganga Risala Camel Cavalry silhouetted against the Presidential Palace in New Delhi during the annual beating of retreat.

IRAN: U.S. Officials Deceived Each Other, Report Says

(Continued from Page 1)
told Attorney General Edwin Meese 3d that every time he mentioned moderates in Iran to the president, Mr. Reagan returned to the issue of releasing the hostages.

The report includes these examples, among others, indicating that administration officials deceived each other and members of Congress.

Robert C. McFarlane, Mr. Reagan's former national security adviser, testified that he had specifically asked William J. Casey, the director of the Central Intelligence Agency, whether Israel was secretly shipping arms to Iran in 1985.

Mr. Reagan is satisfied. Mr. Reagan's chief spokesman said Friday that the president was pleased with the Senate panel's report.

U.S. AIDS Drug Effort Assailed \$100 Million Program Crippled by Delays, Critics Say

By Robert Steinbrook
Los Angeles Times Service
LOS ANGELES — The \$100 million federal program to search for AIDS drugs has made little progress in the seven months since it was established, and the lag has set off growing criticism by some AIDS researchers and homosexual activist groups.

When the program was announced in June, health officials predicted that as many as six experimental drugs would be tested in as many as 1,000 patients within six months.

The AIDS treatment evaluation units were established at many of the nation's leading academic medical centers to speed the evaluation of drugs that might prove effective against the virus that causes acquired immune deficiency syndrome.

The drug program's coordinator played down the criticisms, but she and investigators at the treatment evaluation units acknowledged that the program has been plagued by problems.

They said the obstacles include staff shortages and the limited availability of AZT as well as difficulties coordinating the activities of researchers and creating a massive organization from scratch.

WAITE: Envoy Said to Be Tricked

(Continued from Page 1)
no immediate reports of casualties in the West Beirut explosion.

The attack came shortly after President Amin Gemayel, a Christian, returned to Lebanon from an Islamic Conference Organization meeting in Kuwait.

Christian hard-liners have laid the blame for more than a score of car bombs in Christmas East Beirut in the last 18 months on Syrian agents. Damascus has denied any involvement in the attacks.

LONDON — British Airways said Friday it had grounded a 15-year-old Boeing 747 after a hairline crack was found in a wing spar that helps hold the wing to the fuselage.

Satellite Begins U.K. Broadcasts To European TV

LONDON — A British satellite television channel for Europe, Super Channel, went on the air Friday night with a potential audience of six million households in 14 countries.

It will provide a 24-hour English-language service using programs from the British Broadcasting Corp., Independent Television and the Virgin Group.

ENVOY: South African Ambassador to London Quits, May Run in Election

(Continued from Page 1)
ty, which holds 17 seats, are the main parties in opposition to the National Party.

Such a challenge would be certain to become a bitter and direct conflict between supporters of the Botha government and more liberal opponents.

MANILA: Military Declares It Will Purge Rebel Troops

(Continued from Page 1)
Mr. Marcos's and were involved in a short-lived effort in July to set up a rebel government in a Manila hotel.

The takeover attempt by about 400 troops, and the three-day occupation of a television station in Manila by some of them and by civilians, coincided with an abortive move by Mr. Marcos and his wife, Imelda, to fly back to the Philippines from exile in Hawaii.

TRADE: December Deficit Narrowed but '86 Set Record

(Continued from Page 1)
in the chronic trade imbalance could not be expected.

The Reagan administration had contended that the November figures were a fluke and that the trade imbalance was easing under pressures of a weakening dollar.

WIN \$\* MILLIONS!

Strike it rich in Canada's Favorite Lottery. You pick your own numbers playing Lotto 6/49

That's right... you can win millions by picking your own numbers playing Lotto 6/49—Canada's most popular Government Lottery. In fact, last year Lotto 6/49 paid out \$354,736,589.00 in ALL CASH PRIZES.

Table with columns: PRIZES, NO. OF PRIZES, PRIZE VALUE. Rows include 1st Prize (\$13,890,588.80), 2nd Prize (\$443,481.50), 3rd Prize (\$3,704.70), 4th Prize (\$139.30), 5th Prize (\$16.00), Total Prizes (\$37,449,226.10).

HOW DO I KNOW WHEN I WIN? You will be notified immediately when you win a prize of \$1,000.00 or more.

HOW CAN I PLAY? Complete the attached order form and send it to Canadian Overseas Marketing along with the necessary payment.

ORDER TODAY! Mark six numbers on each game board you wish to play. Includes a grid for selecting numbers from 1 to 49.

PICK YOUR PLAN — Check only one box below next to the option of your choice. ALL PRICES IN U.S. FUNDS. Includes a table for selecting the number of games and weeks to play.

Make Cheque or Bank Draft (in U.S. Funds) payable to: Canadian Overseas Marketing and Mail to: P.O. Box 48120, Suite 1703-595 Burrard St., Vancouver, B.C., Canada V7X 1S4



ARTS / LEISURE

# James Lally and the Booming Chinese Market

**International Herald Tribune**  
**NEW YORK**—When the president of the most powerful auction house in the United States steps down to open his own art gallery after devoting 15 years of his professional life to the company, it means that something big is happening in his field.

All the indications are that Chinese art, particularly its early forms from Shang bronzes to Ming porcelain, is on the eve of yet another boom. The career of James J. Lally, who resigned as president of Sotheby's North America on Dec. 31, 1985, to set up a gallery at 42 East 57th Street simply called J.J. Lally & Co. Oriental Art, neatly coincides with the developments that have led to the present price explosion on the Chinese market.

Little in his university background predestined Lally to become a leading market expert in Chinese art. Neither his undergraduate studies in English literature at

Harvard nor the combined degree in economics and diplomatic history he took at Columbia pointed to commerce or art, let alone China. Early exposure to the outstanding collection of Chinese art in the Mu-

**SOUREN MELIKIAN**

seum of Fine Art in Boston, his hometown, was the initial factor that awoke what was to become a lifetime passion. While in Europe to see more Chinese art, Lally was offered a job at Sotheby's. Hired for his competence in finance and economics, he somehow managed to have a yearlong stint in the Chinese art department in London under James Kiddle, of whom he still speaks in reverential tones.

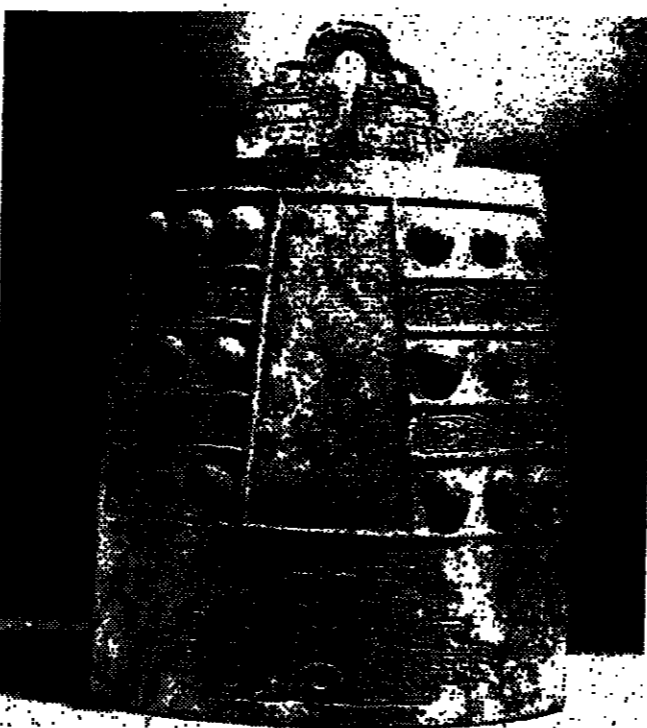
In May 1973, while Chinese art was riding a crest thanks to Japanese buying and the awakening of Hong Kong, there came an opening in New York. Sotheby's expert in Chinese art was leaving for Europe, Lally joined the department and,

on Nov. 20, 1973 held the first sale for which he had written up all the entries. It was a landmark in American auctions of Chinese art. For the first time, footnotes and cross-referencing in scholarly style loomed large in contrast to the past, when objects were broadly characterized in terms of medium, size, and period. A white porcelain bowl of otherwise banal appearance was shown to be connected with the Liao kingdom on the basis of an incised mark in a well-documented discussion that brought in the discoveries of the Swedish scholar Jan Wirgin.

The other major innovation was Lally's approach to the market. He scouted for objects instead of waiting for them to fall in his lap. While walking about Georgetown, his eye was caught by a jade vase in the window of a shop of antiques of every description. He walked in, inquired about the price, which was \$15,000, and said he could get three times as much in his forthcoming auction. In that Nov. 20 sale, the superb Kangxi covered vase set a world record at five times the dealer's price. By the end of the year, Lally was director of the Chinese art department.

Julian Thompson, director of the Chinese department in London, was then setting up Sotheby's Hong Kong. The November experimental sale had been a lumpy success. Lally, who had been to Hong Kong and met the dealers and collectors, sensed a fantastic opportunity. He asked to join. After a trial period, he became a director of Sotheby's Hong Kong in 1974 and, from then until his resignation from Sotheby's, ran the operation with Thompson. The rich Chinese business community was gradually drawn into the auction game and this had a worldwide impact on the prices for later imperial porcelain in the Chinese taste.

When A. Alfred Taubman



Large archaic bronze bell of the Zhou dynasty.

bought Sotheby's in 1982, a new era opened for Lally, who soon became president of Sotheby's America. Two years later he resigned. He had found himself bogged down in administrative chores and cut off from what he cared most about — objects and collectors. Like other experts, he did not like the new atmosphere — "I had no wish to be another sort of apparition," Lally wryly notes. The challenge of working in an auction house as an expert, which is being confronted with hundreds of objects and learning daily, no longer worked. There comes a time when you sit more and more to learn less and less.

Above all, Lally felt that time was ripe for a new gallery in Chinese art. The two giants in early Chinese objects are now slowly withdrawing from the New York scene. J.T. Tai, who sold most of the great archaic bronzes to be seen in American collections, has been winding up his operation for the last five years. Another major dealer, Alan Hartman, recently closed his gallery, Rare Art Inc., on Madison Avenue, to operate from home. Their semi-retreat takes place at the moment when New York is emerging as a major trading center for Chinese art after a prolonged eclipse. When Lally first stepped into Sotheby's Chinese department, nearly sales for the season (1972-1973) stood at \$1.7 million. In his last full season (1984-1985), they had jumped to \$17.5 million

— an increase of \$5 million from the previous season.

Several factors account for the New York renaissance. It took a generation to erase the consequences of the law burning any imports from Communist China.

A second factor, Lally says, is the impetus given by the special consultant for Far Eastern art in the Metropolitan Museum, Professor Wen Fong of Princeton University. In New York, where interest in art often follows trends set by an institution or a personality with a high profile, the impact on collectors was perceptible.

A third factor that Lally, with his reserve bordering on shyness, would not dream of discussing, is Lally himself. I have accompanied him on visits to collectors, equally reserved and determined to shield their privacy, who, when handling objects in his company, thawed as he does too. He has undoubtedly stimulated some old collectors and inspired new ones. Moreover, he is the man who established a two-way traffic between New York and Hong Kong, attracting collectors and dealers from the Far East to New York and persuading New Yorkers to go to Hong Kong.

The location that Lally chose, the way in which he built up his stock, and the procedures for his opening exhibition all reflect his experience as an auction house man, as well as his personal tastes in art, and even the professionals he most admires. It is probably no accident if the premises he chose on 57th Street call to mind the London gallery of Giuseppe Eskenazi at 166 Piccadilly. Both are above street level, allowing privacy. In both, the display, discreetly modern, is tasteful and leaves the objects to speak for themselves.

To launch his gallery, Lally decided to hold an exhibition and proceeded much as he used to in the Sotheby days. He cast his net



James Lally and Tang dynasty lion.

far and wide, traveling from New York to Hong Kong and Europe, and produced a catalogue that deceptively looks like some of his last catalogues at Sotheby's, down to the dark blue background for a creamy sculpture on the cover. With a difference: the pieces are Lally's own choice, not that of a mixed bunch of vendors. They amount to what to any auctioneer would consider a dream sale.

Lally enjoys the rare advantage of combining the object lover's instant perception and the scholar's awareness of historical significance. His selection went all the way from neolithic pottery from the Gansu to enameled glass brush pots made under Qianlong (1736-1795). It is characterized by a mix of blockbusters (the most beautiful bronze bell of the Zhou period, of the seventh-sixth centuries B.C., I have seen on the market as part of a chime, of which another may be seen in the Arthur Sackler Museum at the Smithsonian) and of marvelous rarities not worth a great deal because they are so unobtrusive. His admirable bronze incense burner of the early Han period, with an openwork spiraling dragon on the lid, has no known parallel.

Lally had sent out 100 invitations and 400 invitations to the private viewing on Dec. 2, stipulating that the sale would start at 4 P.M. By Dec. 1 at 10 P.M., four people were queuing on 57th Street in a snowfall. When Lally arrived at 7 P.M. on Dec. 2, two more had joined them. By noon, Lally had to improvise. Buyers would be allowed in according to arrival order established by ticket numbers. Each buyer would be limited to five items only. On the first night, 25 of the 47 items had been sold.

At the end of the exhibition on Dec. 17, only 10 remained unsold, with sales exceeding \$1 million. Buyers included two New York collectors, a Japanese agent dispatched by a Tokyo syndicate, a London dealer representing a European collector, and five U.S. museums. The stone figure of a Brahmin that retains much of its original polychromy and can be dated to the first half of the seventh century now stands in the Cleveland Museum of Art. Lally gained his inaugural exhibition feat with flying colors. A new power has arisen in the international arena of Chinese art. And New York has scored once again.

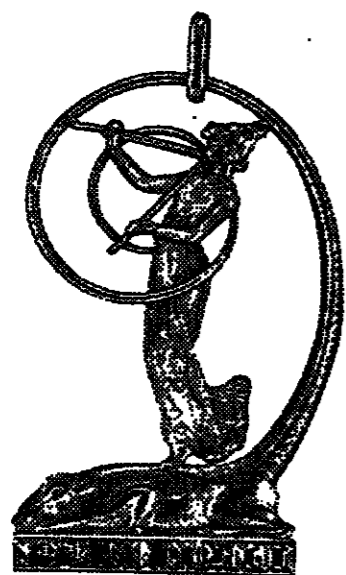
**AUCTION SALES**

**M<sup>o</sup> Christian DELORME**  
 Auctioneer  
 14 Ave. de Messine, 75008 PARIS. Tel: (1)45.62.31.19

**HOTEL DROUOT**  
 9 Rue Drouot, 75009, PARIS  
 Wednesday, February 11 at 2 p.m. - Room 1

**OLD MASTER PRINTS**  
**XIXth and XXth cent. ORIGINAL PRINTS**  
**Posters for "SALON DES CENT"**  
**ANTIQUE PORCELAIN AND FAIENCE**  
**FURNITURE AND OBJETS D'ART**  
 Experts: Messrs Lecomte and Lecomte  
 Public viewings: Tuesday, February 10, 1987 from 11 a.m. to 6 p.m.

**CHRISTIE'S**  
 GENEVA  
 Important Spring Sales  
 At the Hotel Richemond, Geneva,  
 9-14 May 1987



Rare gold and gem-set pendant representing an Aulos-player, by René Lalique. Sold on 13 November 1986 for SwFr. 79,200.

Magnificent Jewellery, Porcelain, Art Nouveau, Art Deco and Bookbindings, Silver, Gold Boxes and Objects of Vertu, Watches, Fabergé and Russian Works of Art, Fine Wine.

Under the aegis of Me Jean Christin, huissier judiciaire.  
 Closing date for those wishing to include their property in these sales is the end of February 1987.

For information and valuations, please contact:

Christie's 8 Place de la Tonnerrie 1204 Geneva Tel: 022/28 25 44 Telex: 423634

Christie's 8 King Street, St. James's 75007 Paris Tel: 0441/839 9060 Telex: 916429

Christie's 17 rue de Lille 13001 Marseille Tel: 01/4261 1247 Telex: 213468

**INTERNATIONAL ART EXHIBITIONS**

**PARIS**  
**GALERIE MERMOZ**  
**PRE-COLUMBIAN ART**  
 6, Rue Jean-Mermoz, 75008 PARIS. Tel.: 43.59.82.44

**ASSOCIATION FOR THE PROMOTION OF ARTS**  
**BARTOLANI DELPRAT LE GROUMELLE**  
 SALLE ST. JEAN - HOTEL DE VILLE DE PARIS - FEBRUARY 4 - MARCH 15

**BIBLIOTHEQUE NATIONALE**  
 58, RUE DE RICHELIEU, PARIS (2<sup>e</sup>) - 47-03-61-10  
**REMBRANDT**  
 La figuration humaine  
 Daily, from 10 a.m. to 7 p.m., Wednesday night till 10 p.m.  
 From January 22 to May 3

**WALLY FINDLAY**  
 Galleries International  
 new york - chicago - paris - london - milan - rome - venice  
 2 Ave. Maffignon - Paris 8th Tel: 43.23.70.74, Monday-Saturday, 10 a.m. to 7 p.m., Sunday 10 a.m. to 5 p.m.

**LONDON**  
**MARLBOROUGH**  
 6 Albemarle St., London W1  
**FRANK AUERBACH**  
 Recent work  
 Until 20 February  
 Illustrated catalogue available  
 Tel.: 01-629 5161

"ART EXHIBITIONS"  
 "ANTIQUES"  
 "AUCTION SALES"  
 "COLLECTOR'S GUIDE"  
 appear on Saturday

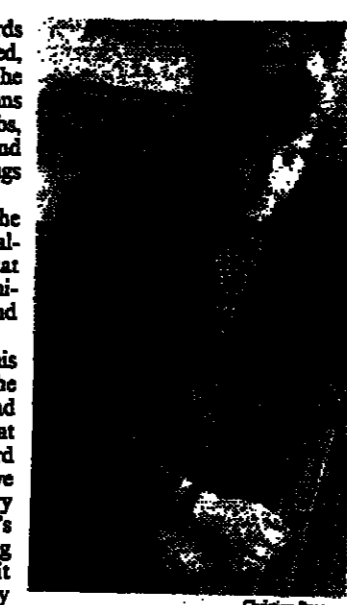
## A Rap With Singer Eddie Money

By Mike Zwercin  
*International Herald Tribune*  
**PARIS** — Eddie Money's "comeback" album, "Can't Hold Back," still on the charts after 22 weeks, came after a two-and-a-half year hiatus. It has sold more than 500,000 copies and he bets it will soon be a million. The hit track, "Take Me Home Tonight" has earned the grumpy-voiced Money a Grammy nomination.

The album is middle of the road rock, with lyrics on the chic side of banal and melodies on the commercial edge of tedious. The songs are more short soap operas than poems. But it's well-tuned, there is nothing to seriously dislike and form over content is the secret of the charts.

The 37-year-old Money, in Paris last week on a European promotional tour, was born Edward Money, the son of a New York City cop. He attended the police academy for a year, but hated it. "I wasn't no Stansky or Hatch." When he dropped out to sing with a rock 'n' roll band, "my family disowned me for a couple of years. It was heartbreaking. It also made me a nervous wreck." His brother is a "super-heavy narcotics cop, which is funny when you think about my past reputation."

He moved to Berkeley, California, hung out with "big time radicals" like Huey Newton, and drugs are easy to fall into when worked with Bay Area bar bands. The hard-boiled Fillmore promoter have a lot of chicks and you're Bill Graham, still his manager, smoking pot snorting cocaine par-



Eddie Money

tying all night getting loaded like a madman but you think you don't really need any of it your weight's down hey-hey your hair's long you're nuts. You don't consider yourself an addict you're working it all off every night but finally I said okay this is what you guys want I'll put it on the side now what? After the years go by you start to get more sensitive and serious you wonder how long you're going to be around professionally speaking I had to re-establish priorities I needed to meet the neighbors feed my dogs get back into myself. So I wrote songs and tried to make sure my relationship was together with my wife buying new furniture for the house buying a piano seeing friends I hadn't seen in years working real hard I need to space things out so I don't lose control of the real me. I write very autobiographically speaking there's a lot of sincerity on the record and I think my fans hear it I have a lot of older fans and this album is developing younger ones it's great to cover two generations.

"I'm not worrying about the money side right now just trying to keep the group together keep my voice together keep my weight down keep my wife happy keep my mother happy keep CBS happy financially speaking when I make a lot of money I'm not going to get tipped off more than they say they're taking now which is a lot but over and above that I trust the people I'm working with. I'll take a good look at the end of this year—I got a long year ahead of me."

**INTERNATIONAL EDUCATION DIRECTORY**  
 EUROPE  
 London, Paris, Madrid, Heidelberg, Strasbourg.

**Schiller International University**  
 Associate, Bachelor & Master degrees in  
 BUSINESS ADMINISTRATION-HOTEL MANAGEMENT,  
 LAW/PUBLIC ADMINISTRATION-INTERNATIONAL RELATIONS,  
 Computer Studies, Pre-Eng/Pre-Med, Art, French, Spanish, German,  
 English, College Prep. Courses. Language of instruction: English.  
 Schiller International University  
 Dept D4, 51-55 Waterloo Road, London SE1 8TX Tel: (01)828 8484  
 Telex: 8812438 SCOL G. Accredited AICS, Washington DC, USA

**FRANCE**  
 SERIOUS ABOUT LEARNING FRENCH?  
 then trust professional:  
**VERSION FRANÇAISE** intensive, all levels. Small groups (max. 8). Texts and books.  
 37 Bd. de Clugny - 06000 NICE. Tel.: 93 81 90 21

**SWITZERLAND**  
**PRIVATE SCHOOLS IN SWITZERLAND**  
 For all information please apply to our Educational Adviser: Mr. Paul A. Mayor.  
**SCHOLASTIC SERVICE "TRANSWORLDIA" - GENEVA**  
 2 Rue du Vicaire-Savoyard. Phone: 44 15 65.

**Collector's Guide**  
 IN XVIIIth c. CASTLE late XVIIIth, early XIXth c. STAINED GLASS WINDOWS Remarkable works of art, hunting and fishing scenes, beautiful settings, perfect condition, relief figures and splendid colors.  
 1 Hunting Scene (3 parts) 7 sqm.  
 1 Fishing Scene (3 parts) 7 sqm.  
 Unique works signed by the artist  
 1 Complete Stained Glass Window (1 m x 2.20 m)  
 1 Complete Stained Glass Window (1 m x 2.20 m)  
**EXCEPTIONAL DEAL**  
 Total Net Price: \$50,000.  
 Tel: 32.30.73.04. (French province)  
 CHATEAU de L'EPINETTE 27190 CONCHES en OUCHE

**FINE ART INVESTMENT PARTICIPATION**  
 Established Fine Art Gallery seeks participant capital and/or working partners. Prime Dublin City Centre. Location with a view to international expansion. Reply in strict confidence.  
 Box No 034873  
 63 Long Acre, London WC2E 9JH, England.

# 2 for 1

Take advantage of our special rates for new subscribers and we'll give you an extra month of Tribs free for each six months you subscribe. Total savings: nearly 50% off the newsstand price in most European countries!

To: Subscription Manager, International Herald Tribune, 181, av. Charles-de-Gaulle, 92521 Neuilly Cedex, France. Tel: (1)46 37 93 61. Telex: 612832.

Country	Currency	1 year	6 mos.	3 mos.
Austria	S.S.	4,800	2,400	1,200
Belgium	B.F.	10,700	5,350	2,700
Denmark	D.Kr.	2,300	1,150	600
Finland	F.M.	1,630	810	400
France	F.F.	1,400	700	400
Germany	D.M.	560	280	170
Greece	Dr.	20,000	11,000	6,000
Netherlands	Fl.	634	340	190
Ireland	£Irl.	140	70	40
Italy	Lire	350,000	170,000	104,000
Luxembourg	L.F.	10,700	5,350	2,700
Norway	N.Kr.	1,650	800	500
Portugal	Esc.	19,000	10,400	5,700
Spain	Ptas.	26,500	14,000	8,000
Sweden	S.Kr.	1,700	850	500
Switzerland	S.Fr.	490	270	148

Rest of Europe, North Africa, former French Africa, Middle East 3 400 220 120  
 Rest of Africa, Gulf States, Asia 3 250 300 160

Please enter my subscription for:

12 months (+2 months free)  6 months (+1 month free)  3 months (+2 weeks free)

My check is enclosed.  Please charge my credit card account:

Access  American Express  Diners Club  Euro-card  MasterCard  Visa

Card account number: \_\_\_\_\_ Card expiry date: \_\_\_\_\_

Signature: \_\_\_\_\_ Name: \_\_\_\_\_ Address: \_\_\_\_\_ City/Country: \_\_\_\_\_ Tel/Telex: \_\_\_\_\_

31-1-87

\* In these countries hand delivery service is available in major cities on the publication date. For details and rates, please check here and fill in your address above. □

**BRITISH ISLES**  
**A UNIVERSITY DEGREE**  
 You experience in work and life may count in qualifying you for a degree.  
 B.A. B.Sc. M.A. M.Ed. M.B.A. Ph.D.  
 No classroom attendance required.  
 For further information, write to:  
 University Administration Services,  
 P.O. Box 94, Douglas, Isle of Man.  
 BRISTOL 121 283.

**U.S.A.**  
**UNIVERSITY DEGREE**  
 BACHELOR'S • MASTERS • DOCTORATE  
 For Work, Academic, Life Experiences.  
 Send detailed resume for free evaluation.  
**PACIFIC WESTERN UNIVERSITY**  
 408 N. Sepulveda Blvd.,  
 Los Angeles, California  
 90049, Dept. 23, U.S.A.

International Education Directory appears every Saturday

Long-Term From U.S.R.  
 Interest



Statistics Index

Table with 2 columns: Index Name and Page Number. Includes AMEX prices, NYSE prices, etc.

SATURDAY-SUNDAY, JANUARY 31-FEBRUARY 1, 1987 \*\*

ECONOMIC SCENE

Long-Term Benefits Seen From U.S. Restructurings

By JOHN H. KISSICK, Los Angeles Times Service

LOS ANGELES — Is the restructuring of corporate America good for the vitality of the United States or not? Unfortunately, public debate over corporate takeovers, leveraged buyouts and restructurings often focuses on the process: hostile raids, poison pills, shark repellents, "junk bonds," white knights, store closings and employee layoffs.

Perhaps the most important question, however, is whether this seemingly frenetic activity will help the long-term competitiveness of the U.S. economy, and thus benefit companies, employees, consumers and shareholders.

The public should take a good hard look at some of the criticisms of takeovers and corporate restructurings and see if they bear scrutiny.

Criticism No. 1: Takeovers waste investment capital. In fact, takeover money goes to shareholders and either returns to the savings-investment pool or is spent on consumption, which in turn stimulates the economy and leads to further investment.

Most economists agree with Michael Jensen's study published in the Harvard Business Review stating that: "activities in the market for corporate control almost uniformly increase efficiency and shareholders' wealth."

Criticism No. 2: Takeovers result largely from undervalued stock prices, and since institutions holding most of this equity are intensely competitive and on par to the short term, management is forced to focus on near-term earnings at the expense of long-term projects and research and development.

A Securities and Exchange Commission study shows that the stock market does not favor short-term earnings. It shows that institutions invest more in companies with the highest research and development expenditures and that most takeover targets have the lowest R&D expenditures within their industries.

Criticism No. 3: The breakup of companies is bad for the economy. But as President Ronald Reagan's Council of Economic Advisors notes, breaking up a company does not destroy its assets. It simply moves assets to managers who think they can use them more productively and are willing to pay a higher price for them.

Criticism No. 4: Takeovers and restructurings eliminate jobs and hurt the U.S. economy. Clearly, restructurings are likely to result in an overall loss of jobs in the short term. But the pressures to cut layers of management, to streamline what the deputy Treasury secretary, Richard Darman, called the "bloated bureaucracy" of big business, to increase productivity and to become more competitive with international exports, will be the pressures that ensure jobs in the long term.

As the economist Edward Yardeni, who also has deep misgivings about the impact of restructurings on employment, has stated, "Global competitive pressures and glut are the roots of restructuring."

"If the Icans and Pickens don't do it," he said, referring to Carl C. Icahn and T. Boone Pickens, two U.S. takeover specialists, "the Japanese will do it for us by putting our companies out of business and taking what's left in their markets."

Criticism No. 5: The restructuring of corporate America is resulting in an over-leveraged United States. In a recent column, Professor Richard Ellsworth expressed precisely the opposite concern about leverage, which is a company's use of supplementary non-equity capital, such as senior securities or borrowed money, to increase the returns on equity. His question was: "Given the increasing concern over America's competitive decline in world markets, can U.S. companies afford to have so little leverage?"

The percentage of debt in the capital structure averages 66 percent.

See SCENE, Page 11

Japanese Stocks Hit High

Nikkei Average Passes 20,000

Agence France-Press

TOKYO — Institutional investors drove the Japanese stock market's key index, the Nikkei 225-stock average, beyond 20,000 for the first time on Friday.

Faced with historically low interest rates, buyers flush with cash but with few investment alternatives pushed the average up 127.30 yen to 20,048.35 yen, its seventh record in as many days.

Analysts said there were no fresh incentives for high prices. "It is just a passing point," said Takahiro Mizuno, executive director of Wako Securities Co.

The average has risen 53 percent in the past year. The rise has been attributed to a boom on Wall Street and a sharp appreciation of the yen, which has prompted companies to speculate in stocks to make up for currency losses.

The average hit 10,000 yen only three years ago in January 1984.

Yoshiyuki Waniishi, director of Nikko Securities Co., said prices would climb further amid prospects for even lower interest rates.

The Bank of Japan, faced with a record-breaking appreciation of the yen, is expected to reduce soon its official discount rate, the fee for short-term loans to commercial banks, by half a percentage point to 2.5 percent, a record low. It would be the fifth reduction in a year.

Kenichi Tano, stock manager at Nippon Life Insurance Co., said the current buying centered only on financial stocks and some large-capital issues.

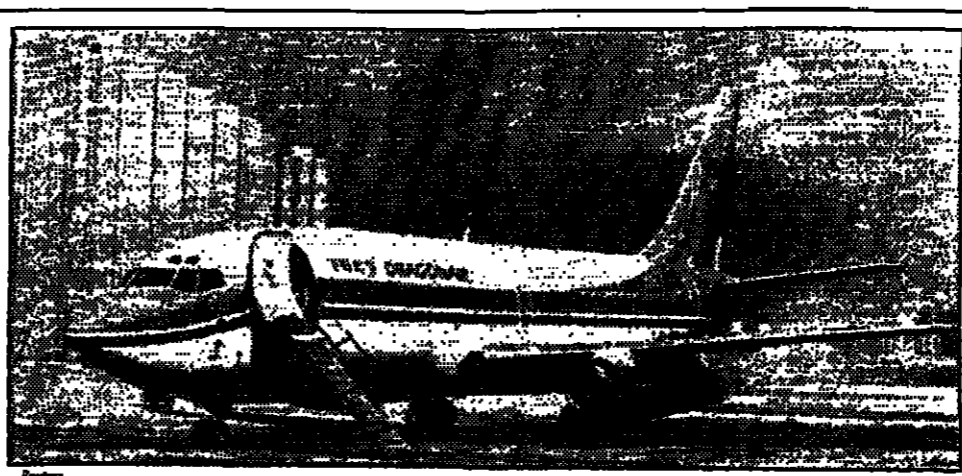
But, he said, "institutional investors, including life-insurance companies, still have room to buy more."

Some analysts foresee a halt in activity after the expected discount-rate cut and the listing of Nippon Telephone & Telegraph Corp. on the Tokyo Stock Exchange on Feb. 9.

Public bidding for NTT, the former state-run telecommunications monopoly, has raised the share price to almost 1.2 million yen (\$8,000) from a face value of 50,000 yen.

institutional investors, mainly trust banks, life insurance companies and investment trusts, have led the market's rise since 1984.

Net purchases by domestic institutional investors hit a record 6.38 trillion yen on Japan's three major stock exchanges in Tokyo, Osaka and Nagoya last year.



A Dragonair plane on the ramp in Hong Kong; Hehmut Sohlen, right, the carrier's managing director, and Sir Yue-Kong Pao, the chairman and biggest shareholder.



Underdog Role Haunts Dragonair Chinese Stake in Cathay Stuns Tiny Hong Kong Carrier

By Patrick I. Smith, International Herald Tribune

HONG KONG — For Hong Kong Dragon Airlines, the small passenger carrier that is challenging the supremacy of Cathay Pacific Airways Ltd. here, the lunar calendar's Year of the Tiger ended on a decidedly mixed note.

On the positive side, the Hong Kong civil aviation authorities this week licensed Dragonair to operate 21 new routes, giving the carrier its first substantial opportunity to begin generating a steady flow of cash.

At the same time, rival Cathay Pacific Airways appears to have dramatically upstaged Dragonair in the two airlines' efforts to win acceptance here and in China.

Both of these developments came in a single day earlier this week. As a result, the Year of the Rabbit, which began Thursday, suddenly seems to hold as much uncertainty for Dragonair as it does promise.

Since it was formed 18 months ago, Dragonair's struggle to survive has centered chiefly on winning the right to build a network of routes for its tiny fleet and on developing the few routes it has already been granted.

In this it has routinely encountered objections from Cathay, Hong Kong's unofficial flag carrier,

and what Dragonair says is a discriminatory aviation policy based largely on the British "old-boy network," Hong Kong section.

Now Dragonair faces an altogether new challenge. On Tuesday, Cathay announced that a mainland merchant bank, China International Trust & Investment Corp., would become a 12.5 percent shareholder in Cathay.

CITIC, as the Chinese institution is known, is to pay \$249.3 million for 212 million new Cathay shares and 146 million shares currently held by Hongkong & Shanghai Banking Corp.

Cathay's parent, Swire Pacific Ltd., is to retain a 50.2 percent interest.

One question raised by the transaction is whether CITIC and similar Chinese institutions are functioning more or less independently or whether the move represents an abrupt decision by China to support Cathay in its long-running battles with Dragonair.

Analysts also question whether Swire Pacific's link with a mainland enterprise represents an alternative to the course chosen by Jardine Matheson three years ago when it moved its headquarters to Bermuda.

CITIC, which has been diversifying its activities

See DRAGONAIR, Page 11

The Paribas Sale: An Embarrassment of Riches

By Claire Rosenberg, Reuters

PARIS — France's conservative government, caught off guard by the runaway success of its latest sale of a state-controlled enterprise, may face the embarrassment of having to backtrack on a major promise it made to investors.

The government of Prime Minister Jacques Chirac is studying how to keep a promise that individual investors would be able to purchase at least 10 shares each in Cie. Financière de Paribas, the big French banking group that is being demutualized.

The sale of Paribas is part of a 300 billion franc (\$51 billion) program to return 65 companies to the private sector by March 1991, reducing to 10 percent from 28 percent the state's direct stake in the economy.

The rush for shares in Paribas, which went on sale last week, is expected to far exceed the demand for the first group privatized, Cie. de

Saint-Gobain, a major maker of glass and iron pipes. That offer was 14 times oversubscribed.

The government has set aside 14.7 million shares for small investors at 405 francs (\$67.50) each. But Finance Minister Edouard Balladur said Tuesday that small shareholders might not get their promised 10 shares.

Mr. Balladur told a television audience on Tuesday that he would do his best to honor the 10-share promise. But officials admitted privately that to do so might require dipping into 6.7 million shares earmarked for foreign buyers and 8.5 million set aside for long-term institutional investors.

The alternative — issuing fewer than 10 shares each — would raise problems in a year or so. Buyers who hold onto their shares until then have been promised one free share for every 10 they own, a major incentive for new investors.

Mr. Balladur brushed off the potential complications. "I would rather be burdened by success than submerged by failure," he said

Tuesday. "The French are showing their faith in our policies."

Public enthusiasm for the Saint-Gobain and Paribas issues has stilled fears that the flood of share offerings could give the Paris Bourse indigestion.

Meanwhile, professional investors complain that priority for small shareholders has squeezed them out of privatization, skewed the market, and breached the Chirac doctrine of economic liberalism.

In a bid to discourage speculation, the Finance Ministry last week told brokerage houses and banks, under threat of legal action, to stop displaying pre-issue "gray market" quotations for Paribas on dealer screens.

The screen quotes, aimed at professional traders, valued Paribas shares at 480 francs, nearly 20 percent higher than the official issue price. Mr. Balladur later termed the move "an error" and changed his mind.

Currency Rates

Table of currency rates for various countries including Amsterdam, Frankfurt, London, Milan, New York, Paris, Zurich, etc.

Chicago in London and Zurich, Britain in other European centers. New York rates of 4 P.M. Commercial time. (b) Amounts needed to buy one U.S. dollar. (c) Units of 100 (1/100) Units of 1000 (1/1000) N.G.: not available. N.A.: not available.

Other Dollar Values

Table of other dollar values for various countries like Australia, Canada, etc.

Source: Reuters, Bank of Tokyo, Bank of Commerce, Bank of Montreal, Bank of Paris, Bank of Spain, Bank of West Germany, Bank of Japan, Bank of Korea, Bank of India, Bank of China, Bank of Hong Kong, Bank of Taiwan, Bank of Thailand, Bank of Singapore, Bank of Malaysia, Bank of Indonesia, Bank of Philippines, Bank of Vietnam, Bank of Cambodia, Bank of Laos, Bank of Myanmar, Bank of Sri Lanka, Bank of Pakistan, Bank of Bangladesh, Bank of Nepal, Bank of Bhutan, Bank of Maldives, Bank of Brunei, Bank of Timor-Leste, Bank of East Timor, Bank of Papua New Guinea, Bank of Vanuatu, Bank of Solomon Islands, Bank of Tonga, Bank of Samoa, Bank of Tokelau, Bank of Niue, Bank of Cook Islands, Bank of New Zealand, Bank of Fiji, Bank of Kiribati, Bank of Tuvalu, Bank of Nauru, Bank of Micronesia, Bank of Marshall Islands, Bank of Palau, Bank of Federated States of Micronesia, Bank of Northern Mariana Islands, Bank of American Samoa, Bank of Guam, Bank of Northern Mariana Islands, Bank of American Samoa, Bank of Guam.

Interest Rates

Table of interest rates for various currencies and terms.

Key Money Rates Jan. 30

Table of key money rates for various currencies.

Asian Dollar Deposits Jan. 27

Table of Asian dollar deposits for various countries.

U.S. Money Market Funds Jan. 30

Table of U.S. money market funds for various categories.

Gold Jan. 30

Table of gold prices for various locations.

Stockholm Sets General Price Freeze

Compiled by Our Staff From Dispatches

STOCKHOLM — The government imposed a general price freeze on most goods and services on Friday in an effort to head off labor negotiations that could further fuel inflation.

A clause in the two-year national labor agreement reached last April says Swedish unions may renegotiate wage contracts if inflation exceeds 3.2 percent. The 1986 rate was 3.26 percent, so unions formally have the right to seek renegotiation.

Finance Minister Kjell-Olof Feldt said prices of most commodities would be frozen at their Jan. 28 levels until further notice. There will be exceptions for some fresh produce, rents, tobacco and gasoline, the government statement said. The price of gasoline is already controlled.

"The spiral of price and wages must be broken," said a statement from the Social Democratic government.

Mr. Feldt said he hoped that the price freeze "would influence the unions so they did not ask for renegotiations on the collective agreement."

He said the measure should be short-term, but he refused to predict its duration.

The last time the government imposed a general price freeze was in March 1985. It ran until October 1985, though it was gradually repealed over the period for a variety of goods and services.

As in much of the rest of the West, Sweden's relatively good inflation performance last year was attributed largely to lower energy costs because of the slump in oil prices, and it is widely feared that prices will be higher in 1987.

Despite the low 1986 inflation, Sweden's pay costs on the high side by European standards. Six slices of sandwich meat costs the equivalent of about \$1.65, a can of soup about \$1.50, a loaf of bread about \$1.30 and a pack of cigarettes almost \$2.30.

"We are facing a few critical weeks at present," Mr. Feldt said. "We must capitalize on the slow-down in wage costs and we are telling industry it should not pass higher costs on to the consumer."

(AP, Reuters)

A Selling Job for J. Walter Thompson Dismissals Add to Troubled Ad Giant's Image Problem

By Bruce Horowitz, Los Angeles Times Service

NEW YORK — The advertising giant J. Walter Thompson Co. suddenly has a selling job to do on its own behalf, convincing clients that one of the oldest American ad companies is still up to the job.

After the events of this week, that will not be easy. On Monday, the chairman was dismissed. Late Thursday the president was let go.

While the 123-year-old company generally gets high marks for its creative work, advertising industry executives and analysts say it is bloated and poorly managed. Two weeks ago, the company is expected to release results that show a second consecutive year of reduced profits. Wall Street critics say Thompson's creativity is eclipsed only by its spending.

While many advertising agencies began making substantial staff cuts early last year, J. Walter Thompson was among the last to shrink its payroll. Nearly 200 workers were let go last year, primarily from the New York office. Although the agency saved some money in 1986 by shutting down its Washington office, it has no plans for any substantial closings of branches worldwide.

"It's not like running a factory line," Don Johnston, chairman and chief executive of JWT Group, said Thursday. "You can't just go shutting down lines in a business like ours."

In a lousy year for most ad agencies, Thompson was among the last to react, he conceded. "We had a lot of new people in place who might not have reacted quickly enough," he said.

"We are facing a few critical weeks at present," Mr. Johnston, 59, had little choice but to react. Joseph W. O'Donnell, 43, chairman of J. Walter Thompson Co. and heir apparent to Mr. Johnston, was dismissed after he tried to gain early control of the company

through a leveraged buyout. On Thursday, the company said John E. Peters, 55, president and chief operating officer of the ad division, was also let go, reportedly for supporting Mr. O'Donnell's plan.

Mr. Johnston said he had spent much of his time on the telephone for the past week trying to calm clients. He said he had spoken with 40 JWT office managers worldwide and 30 key advertisers, telling clients such as Burger King Corp., Miller Brewing Co., Eastman Kodak Co., Chevron Corp. and the U.S. Marine Corps: "I see a period of stability ahead."

Stability, at least with clients, has long been a hallmark of the company, which says its 20 largest clients have used its services for an average of 30 years.

JWT Group employs 9,800 people worldwide, one of the biggest payrolls in the industry. Its divisions expect to post combined 1986 worldwide billings of about \$3.6 billion, ranking fourth internationally. Saatchi & Saatchi Co. Inc. of London ranks first, with billings of about \$7 billion.

Some analysts charge that Thompson spends money as fast as Burger King sells Whoppers. "They do great ad work," said Alan Gottesman of the New York brokerage L.F. Rothschild, "but their profit margins are awful."

One of the company's competitors, Edward H. Meyer, chairman of Grey Advertising Inc., says he is baffled by Thompson's problems. "It's a paradox how an agency that performs so well for its clients can't get its own act cleaned up," he said.

Agency Expands Board

J. Walter Thompson named eight company executives to its board Friday, increasing the number of directors to 26, Reuters reported from New York.

The appointments had been contemplated before the dismissal of Mr. O'Donnell, a spokesman said. The board decreased in size to 15 from 20 when Mr. O'Donnell and Mr. Peters left.

Japan's Surplus In Trade Soars 75%, to a Record

Compiled by Our Staff From Dispatches

TOKYO — Finance Ministry officials said Friday that, despite the effects of a stronger yen, Japan's current-account surplus soared 75 percent in 1986 to a record \$85.97 billion.

The bloated surplus, which compares with the previous record of \$49.17 billion in 1985, resulted largely from increased exports of merchandise to industrialized nations, particularly the United States, the officials said.

The current account is the broadest measure of a nation's trade, and includes goods, services and short-term interest dividends.

Japan's merchandise-trade surplus alone was a record \$92.66 billion last year, a 66 percent increase from \$55.99 billion in 1985.

The nation's long-term capital outflow also doubled to \$131.81 billion last year from \$64.54 billion in 1985, the ministry said.

The current-account surplus for December also set a monthly record, at \$9.4 billion.

The figure compares with \$8.14 billion in November. The previous record monthly surplus was \$9.1 billion in September.

Japan exports totaled \$205.56 billion last year, with \$80.4 billion, or 39 percent of that amount, imported by the United States, according to preliminary customs clearance figures.

Imports came to \$112.9 billion, with the United States accounting for 26 percent of that figure, the figures showed.

Japan reported a deficit of \$4.33 billion in services, or "invisible" trade, following a \$5.16 billion deficit in 1985, ministry officials said.

The record 1986 balance in Japan's current account came despite the yen's appreciation of about 60 percent against the dollar since leaders of five industrialized countries agreed in September 1985 to drive down the U.S. currency's value to help reduce the U.S. trade deficit.

While the high yen has failed so far to curb the country's trade sur-

pluses, it has increased the prices of Japanese goods abroad. The volume of business has declined sharply as a result in yen terms, damaging companies' confidence and prompting efforts to reduce labor costs.

The ministry, underlining that trend, announced Friday that the unemployment rate rose to 2.6 percent in 1986, the highest figure since Japan adopted its current system of calculating jobless statistics in 1953. The jobless rate was 2.6 percent in 1985.

Officials said that the increase reflected the reluctance of Japanese manufacturers to hire workers amid a slump in overseas sales of Japanese cars, steel and other goods.

Haruo Muto, an economist with the Bank of Tokyo, said that unemployment could rise to 3 percent this year, which is low by European and U.S. standards but a politically explosive figure in Japan.

Despite the trade results, Japan's surpluses should decline in 1987 as the drop in trade volume is reflected in dollar values, analysts said.

"The yen is stronger and Japanese goods are not being bought" at the same levels "in the United States," said the chief economist of the Long-Term Credit Bank of Japan, Nobuyoshi Araki. "Last December should be the peak."

U.S. pressure on Japan to do more to fuel its domestic economy and thereby increase imports is also certain to continue, economists said.

Japan is widely expected to announce a cut in its official discount rate as one way of stimulating growth by making it cheaper for companies to borrow funds.

Economists said that the record current-account and trade surpluses could foil Tokyo's efforts to stabilize the value of the yen against the dollar in the short term.

"We should brace for turbulence in the currency market," said Akio Kohno, the chief economist for Daiwa Securities.

(AFP, Reuters, AP)

Baker Says U.S. Is Considering A G-5 Meeting

WASHINGTON — The United States is "giving some consideration" to a meeting of the Group of Five industrial nations, though there are "no present plans for a G-5," Treasury Secretary James A. Baker 3d said Friday.

"I think it's clear there is some consideration being given to the possibility" of a meeting, Mr. Baker said in response to a question from the Joint Economic Committee of Congress. He also told the committee that Washington had not been pushing for a decline in the dollar in the past year.

In Tokyo, Japanese officials and Western diplomats said Friday that Japan was continuing to press hard for a meeting but that Britain and West Germany appeared reluctant. The diplomats attributed their hesitancy to fear that the dollar would fall sharply if the group met and failed to agree.

West German sources said that, despite official doubts about the usefulness of a meeting, Bonn would not refuse to participate. The Group of Five comprises West Germany, Britain, France, the United States and Japan.

The Value Line brings you HARD FACTS ON 1700 AMERICAN STOCKS

The Value Line Investment Survey covers more than 1700 American stocks, which account for over 90% of all dollar trading volume in U.S. equity markets. With The Value Line Survey, you have objective evaluations—updated every week—of just about any American stock that's likely to come to your attention.

Every three months, on a regular schedule, Value Line presents a new full-page report on each stock, packed with vital data, including 22 series of key operating and financial statistics going back 15 years and estimated 3 to 5 years ahead. Then, for each stock—every single week—Value Line updates the Price, future Performance and Safety ranks, Appreciation Potential, Yield, and estimated Earnings and Dividends.

This information will enable you to assess a stock's prospects based on hard financial facts. As a special introductory offer, you can receive 12 weeks of Value Line for only \$85—about half the regular rate—providing you have not had a subscription in the past two years. As a BONUS, you will also receive the Value Line's 2000-page Investors Reference Service with the latest full-page reports on over 1700 stocks, together with the 72-page booklet, "A Subscriber's Guide." Send payment (no cash please) along with name and address together with this ad to Dept. 81205

THE VALUE LINE 711 Third Avenue, New York, N.Y. 10017, U.S.A. Payment in local currencies (British £66, French Fr.600, Swiss Fr.140, DM 190) and requests for information should be directed to Value Line, Attn: Alexander de Saint-Phalle, 2 Ave. de Villars, 75007 Paris, (Tel. 45.51.63.59). Distributed by KLM Royal Dutch Airlines Publication Distribution Service Holland. Allow 4 weeks for delivery.

BANQUE DE GESTION PRIVÉE Geneva, Switzerland

Wishes to inform its clientele that it is not concerned by the merger of BANQUE DE GESTION PRIVÉE, Paris, with Société Internationale de Banque (SIB), and it remains an independent Swiss Bank.

BANQUE DE GESTION PRIVÉE 5, Place de l'Université 1211 Geneva, Switzerland.

e Money

FINE ART INVESTMENT PARTICIPATION



NYSE Most Actives table with columns for Vol., High, Low, Last, Chg.

Market Sales table with columns for NYSE 4 a.m. volume, NYSE prev. close, etc.

NYSE Index table with columns for High, Low, Close, Chg.

Friday's NYSE Closing logo and text: Via The Associated Press

AMEX Diary table with columns for Class, Prev.

NASDAQ Index table with columns for Class, Prev., Week, Year

AMEX Most Actives table with columns for Vol., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns for Bonds, Utilities, Industrials

NYSE Diary table with columns for Class, Prev.

Odd-Lot Trades in N.Y. table with columns for Buy, Sell, 3000

Dow Jones Averages table with columns for Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns for High, Low, Close, Chg.

NASDAQ Diary table with columns for Class, Prev.

AMEX Stock Index table with columns for 300 #, 250 #, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

N.Y. Prices Dip in Profit-Taking

NEW YORK — Prices on the New York Stock Exchange finished narrowly lower Friday after late buying erased sharp losses caused by profit-taking ahead of the weekend and limited future-related selling.

Although the market climbed dramatically in January, Friday's pullback was "very calm," he observed. He predicted that stock prices would have a week or two of rest and recuperation before moving higher again.

Table of stock prices for various companies including AAR, AIG, AIGP, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.



Fridays NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Close, Chg. Over.

BUSINESS ROUNDUP

Ford-Werke Will Post Profit for '86

By Ferdinand Protzman International Herald Tribune

FRANKFURT — Ford-Werke AG, the U.S. automaker's West German subsidiary, will post a solid profit for 1986 after two years of severe losses and corporate restructuring, the chairman of its management board said Friday.

In a separate report, the West German automaker Audi AG reported Friday that its sales rose 4 percent last year to 10 billion DM, according to provisional figures, from 9.6 billion DM in 1985. But it did not release earnings figures.

Daniel Goudevert said in a statement that Ford-Werke had a "deep black" for 1986, but he did not provide a specific profit figure. Ford-Werke posted net losses of 251.1 million Deutsche marks (\$140.9 million at current exchange rates) in 1985 and \$298.1 million DM in 1984.

Ford-Werke said the return to profitability resulted from a change in its sales strategy following two years of cost-cutting and streamlining of its operations.

"Ford has become leaner and more efficient," Mr. Goudevert said.

After focusing in 1984 and 1985 on increasing its market share, Ford-Werke shifted its sales emphasis to maximizing profit. Its 10.7-percent share of the West German auto market in 1986 was up slightly from 10.9 percent the previous year, the company said.

Passenger car sales rose 9.8 percent last year to 893,618 units from 813,647 units in 1985. Exports climbed 7.4 percent to 590,129 cars from 549,378.

The U.S. market had added luster to the executive's reputation.

Audi officials, meanwhile, said car production would rise to more than 400,000 units in 1987 after slipping to 384,000 units last year from 392,000 in 1985.

Audi, which is 99 percent owned by Volkswagen AG, did not release earnings figures. In May, company officials said that its 1986 profit was unlikely to equal its record net of 221 million DM for 1985.

Audi's auto sales in the United States, its main export market, slipped last year to 60,000 units from 75,000 cars in 1985. But the company said it was aiming for U.S. sales of 80,000 cars this year.

Lutz Schilling, a spokesman for Audi, said that the company's image in the United States had suffered because of reports of sudden, uncontrolled acceleration by some of its cars from a stationary position.

Burton Holders Pass Stock Plan

LONDON — Shareholders in the British retail chain Burton Group PLC have approved a much-debated share option plan that could give huge bonuses to the company's senior executives.

Burton also reported Thursday that it nearly doubled its pretax profit last year, to £148.7 million (£27.5 million) from £80.2 million the previous year.

Burton, whose share price has been depressed by the controversy and by rumors, later denied that the government was about to start an inquiry into its share dealings, won approval of the stock plan by 79.9 million votes to 53 million. Critics of the plan, reserved for 80 senior executives, said benefits from Burton's growth should go to shareholders or employees.

LTV Reports Operating Profit

DALLAS — LTV Corp. said Friday it posted a net loss of \$453.4 million in the fourth quarter, considerably more than the \$75.7 million a year earlier, but had an operating profit, taking into account a \$600 million charge related to Chapter 11 proceedings.

For the year, LTV had operating income of \$171.9 million, against a loss of \$88.7 million in 1985. Including special charges of \$3.24 billion related to reorganization under Chapter 11 of the Federal Bankruptcy Act, however, it posted a net loss of \$3.25 billion for the year.

LTV said fourth-quarter operating income from steel was \$130.5 million.

TWA Earns \$85 Million In Period on Gain From Sale

New York Times Service

AIRLINES SWUNG INTO PROFIT in the fourth quarter, usually its weakest period, reporting operating earnings of \$21.7 million and net income of \$85 million.

The figures, which result in a net profit of \$2.36 per share, compare with a net loss of \$123.4 million and an operating loss of \$91.5 million in the fourth quarter of 1985. Had it not been for an extraordinary gain of \$134.6 million from the sale of a 50-percent interest in its computerized reservation service, TWA would have posted a \$50 million net loss for the quarter.

Dollar's Fall Hits Swiss Watches

BIEL, Switzerland — Swiss watch exports, hurt by the falling dollar, dropped slightly in value last year after a record in 1985, even though the number sent abroad rose by 6 percent, the industry said Friday.

Exports totaled 4.27 billion Swiss francs (\$2.84 billion), down by 1 percent from 1985, according to the Federation of Swiss Watchmakers. The number of watches, clocks and movements exported rose to 61 million, but this was more than wiped out by the weaker dollar.

The industry is Switzerland's fourth-largest export earner. Almost half of the industry's business is carried out in U.S. dollars and further declines in the value of exports are expected, the federation said.

COMPANY NOTES

Chrysler Corp. scheduled five U.S. car and truck assembly plants to work overtime in the week of Feb. 2. It also scheduled four assembly plants to work on Saturday, Jan. 31.

DMR Group Inc., an information management company based in Montreal, has agreed to buy Cosys Belgium SA, a private information management company with annual sales of about 4.2 million dollars (\$3.14 million). Terms were not disclosed.

Dumez Investments Inc., which is 70-percent owned by Dumez SA, a Paris construction company, and 30 percent by Uniopac Canada Inc., said it has started a tender offer for all shares of Westburne International Industries Ltd., at 20 Canadian dollars (\$14.90) a share.

General Motors Corp. has begun a worldwide industrial cleaning venture with ARA Services, to be called GM-ARA Industrial Cleaning.

Honda Motor Co. has bought a supercomputer from Cray Research Inc. of the United States for \$7 million to enable it to calculate the aerodynamic drag of car bodies, engine combustion efficiency and to simulate crash tests.

ITT Corp. has consolidated all of its worldwide automotive products units into a new entity called ITT Automotive Inc. with annual sales of about \$2 billion. The units include Alfred Teves GmbH of Frankfurt, ITT North America Automotive, ITT Electrical Systems Group, SWF Auto-Electric GmbH of West Germany, Lester Industries, ITT Hancock, Koni of the Netherlands, ITT Industrie Runitte of Turin and ITT Higbee.

Kokusai Motors Co. of Tokyo has agreed to buy the Hyatt Regency Maui, Hawaii, for \$319 million in cash from an investment partner affiliated with VMS Realty Inc. of Chicago. The property will continue to be managed by Hyatt Corp., which operates 123 hotels worldwide.

MCI Communications Corp. has begun digital satellite communications services to Britain, Belgium, France and West Germany. MCI, said it will also offer digital private-line service to the Pacific Basin beginning in April.

Pratt & Whitney, a unit of United Technologies Corp., has signed a \$100 million contract with China to supply 16 PW-4000 engines to be used in Boeing 767s. It said that China is one of the company's biggest customers.

Company Results

Revenue and profit or loss, in millions, are in local currencies unless otherwise indicated.

Table with columns: Company, 1986 Revenue, 1986 Profit, 1985 Revenue, 1985 Profit, 1986/85 Revenue % Chg., 1986/85 Profit % Chg.

NYSE Highs-Lows

Table with columns: NEW HIGHS, NEW LOWS, STOCK, HIGH, LOW, CHG.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 30 Jan. 1987

Table listing various international funds with columns: Fund Name, Assets, YTD Return, 12-Month Return, 3-Month Return, 6-Month Return, 1-Year Return, 5-Year Return, 10-Year Return, 15-Year Return, 20-Year Return, 25-Year Return, 30-Year Return.







CURRENCY MARKETS

Dollar Up Sharply on Trade Figures

NEW YORK — Better-than-expected figures for the U.S. merchandise trade deficit propelled the dollar sharply ahead Friday in New York and Europe, although it finished down from the day's highs. The December deficit of \$10.66 billion was well below the expected \$14 billion to \$15 billion.

London Dollar Rates

Table with columns for currency (Deutsch mark, French franc, Swiss franc) and rates (Fr. 100, Sfr. 100).

He also said the improved trade figure should not be overemphasized. However, the dollar was up more than 4 pence on the day, closing in New York at 1.8340 DM, against 1.7920 DM Thursday.

SCENE: Takeover Effects

(Continued from first finance page) Mr. Baker did not rule out a meeting with his counterparts in the Group of Five industrial countries, West Germany, Japan, Britain and France, although he said there were no plans for a meeting.

In London, the dollar was also more than 4 pence higher, closing at 1.8320 DM, against 1.7888 Thursday. It was also higher against the British pound, which closed at \$1.5135, against \$1.5380 Thursday.

In earlier European trading, the dollar was fixed at midday in Frankfurt at 1.8085 DM, up from 1.7823; and at 6.0335 French francs in Paris, up from 5.9500. It closed in Zurich at 1.5465 Swiss francs, up from 1.5043 Thursday. Overnight in Tokyo, the dollar closed at 152.65 yen, up from 152.05 Thursday.

DRAGONAIR: Chinese Stake in Rival Stuns Hong Kong's No. 2 Carrier

(Continued from first finance page) For some time, will have one seat on Cathay's board.

For many analysts, the share purchase is the most severe blow yet to Dragonair. Since the airline was founded, its local ownership and its strong backing from China have been viewed as guarantees of its long-term survival.

Now, these analysts assert, Dragonair has lost its strongest suit: its claim that Cathay is essentially a British concern whose former are, certain to decline after 1997, when China regains sovereignty over Hong Kong.

who also serves as Dragonair's chairman. Swire Pacific, in turn, "localized" Cathay last year by floating 15 percent of its share capital in the Hong Kong stock market.

Although Cathay has emphasized the political advantages of its new relationship, market analysts say that the capital injection from CITIC cannot have been unwelcome.

With long-term debt of roughly \$830 million, according to its share prospectus, Cathay has a debt-to-equity ratio of nearly 6 to 1.

"Everyone seems to see it as their job to grind us down."

— An executive of Dragonair

a customer for the McDonnell Douglas MD-11, which is being developed.

This would be a lot for even an established airline to digest. Apart from the implicit challenge to Dragonair's status, or personal relationships, in China, the C-119 link may be something of a moot point, some industry watchers suggest.

"If the Cathay deal is a hurdle, it's a hurdle so far down the road, that it's not relevant to the present situation," said Carlton L. Poon, a senior analyst here for James Capel & Co., the London stockbrokerage.

Neither Mr. Sohm nor any other Dragonair executive will comment directly on Dragonair's capital commitments. But analysts believe the airline, which is privately held, has spent some \$10 million, a figure that airline officials do not dispute.

When Dragonair made its debut in mid-1985, it was criticized, ironically, for having too many mainland enterprises among its shareholders.

The company subsequently restructured its ownership, reducing China's interest from nearly 40 percent to 9 percent.

Its largest, is Sir Yue-Kong Pao, 26 percent, is Sir Yue-Kong Pao, the property and shipping magnate

THE EUROMARKETS

Eurodollar Bond Prices Slip Amid Confusion

By Norma Cohen  
LONDON — Prices of Eurodollar bonds closed slightly lower Friday as investors sifted through conflicting signals about the direction of the U.S. economy, dealers said.

New issues capitalized on that confusion, including three that specifically offered investors the opportunity to bet that the dollar had bottomed out.

Reports earlier Friday of a lower-than-expected U.S. trade deficit helped the dollar recover some of the ground it had given up overnight.

But traders admitted later to being mystified by remarks from James A. Baker 3d, the U.S. Treasury secretary, that a weaker dollar

Six Banks Fail in U.S., Raising '87 Tally to 17

WASHINGTON — Six small banks, one each in Oklahoma, Missouri and Indiana and three in Texas, have been closed by U.S. regulators, raising the number of bank failures so far this year to 17, the Federal Deposit Insurance Corp. reported Friday.

All six were closed Thursday. The largest, the Montgomery County Bank, N.A., of the Woodlands, a Houston suburb, had \$45.4 million in assets. Texas led the nation in bank closings in 1986, suffering 26 of 138 failures nationwide.

If the pace of failures continues, 1987 would be a record year for closings of U.S. banks.

Euro-Commercial Paper

Table with columns for maturity (15-45 days, 46-75 days, 76-105 days, 106-135 days, 136-165 days, 166-183 days) and various financial metrics.

Friday's OTC Prices NASDAQ prices as of 4 p.m. New York time. Via The Associated Press

Main financial table with columns for stock symbols, prices, and changes. Includes sections for A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Friday's AMEX Closing Tables include the nationwide prices as to the Closing on Wall Street and do not reflect late trades elsewhere.

Continuation of Friday's OTC Prices table, listing various stock symbols and their prices.



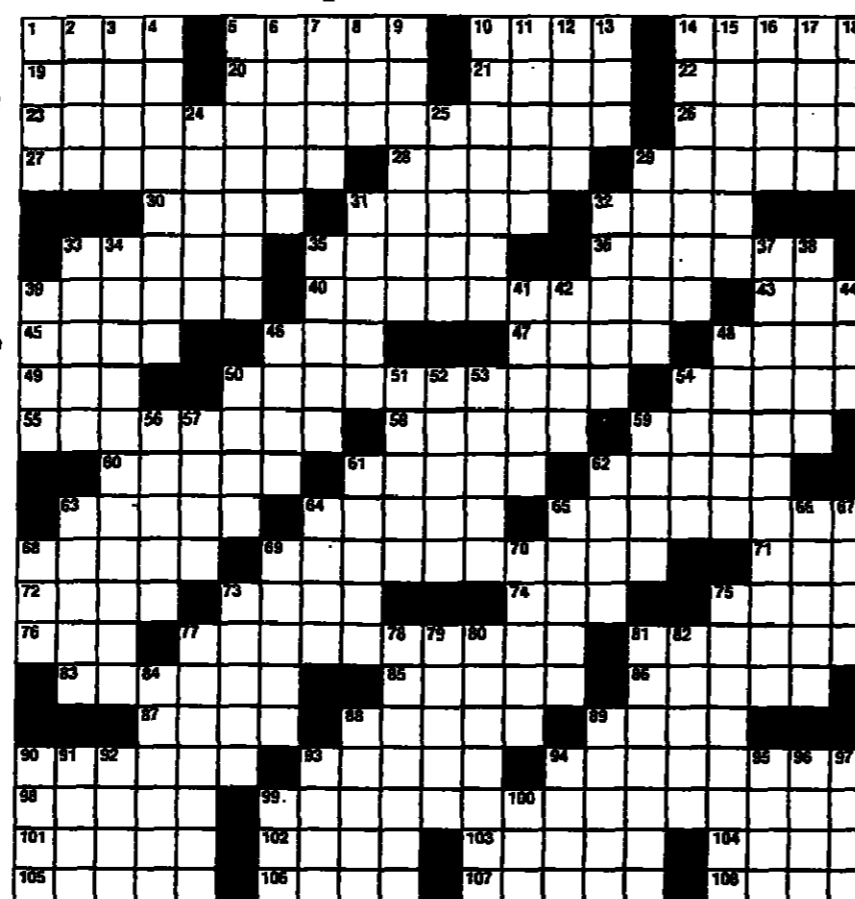
Page

Vertical text on the left margin containing page numbers and other small text.

ACROSS

- 1 Radar-screen image
5 Still abed
10 Principal island of the I.K.
14 Animal designed by a committee?
19 Concorde wing
20 "I never met... didn't like"; Rogers
21 Egg-shaped
22 Mrs. Culp
23 These two go together
26 Likewise
27 Historic Hertfordshire city
28 Greenhouse material
29 Desists' partner
30 Bialko is its capital
31 Trauma
32 "... a very palpable... Shik.
33 "... We Dance?"
35 John Wilkes or Shirley
36 Game for leggers
38 In an acute way

Sticking Point By Frances Hansen



© New York Times, edited by Eugene Malachuk.

- DOWN
1 Ebenezer's comments
2 L.L. Cable's Pacific love
3 Pelvic bones
4 Violinist Izhak's family
5 With a twangy inflection
6 Mosaic resident
7 Summer acquisitions
8 German conjunction
9 Scalding, as a bowl of soup
10 Opaque painting style
11 Codfish

- DOWN
33 Canary's cousin
34 "... you might have...": S. Rogers
35 "Dark Summer" poet Louise
37 These are good for the fray
38 "Der Fliegende Holländer"
39 Hopi assembly hall
41 In or out trailer
42 Torture, in a way
44 Napoleon's "bravest of the brave"
46 Arabian Sea gulf
48 Clan garb
50 Attaches, in a way
51 "When... Berlin's first hit
52 Closefitting cap
53 Eared seal
54 Western sight
56 Eero Saarinen's famous father
57 Cross
58 Dove's opposite
61 Michelangelo masterpiece
62 ... and needles (nervous)
63 "Golden Boy" dramatist
64 True, in Troyes there
65 Delaware Indian
66 Atlanta university
67 Gainsay
68 Morning hrs.
69 Brazil's first emperor
70 Japanese porcelain
73 Capp's Lena
75 Walden
77 Marter-of-fact
78 Presses so as to confine
79 Uniform material
80 Neither... (irrelevant)
81 Waxy, white cheese
82 Fla.'s cigar city
84 Waterfall girl
85 Chew the fat
88 Asparagus sprig
89 First American diplomat abroad
90 Fellow
91 Strategem
92 "... Old Cow-hand"
93 Co it alone
94 Wicket
95 "The Time Machine" victims
96 Speedy Atl. fliers
97 An upright
98 Chew the fat
100 Corn or angle preceder

PEANUTS



BLONDIE



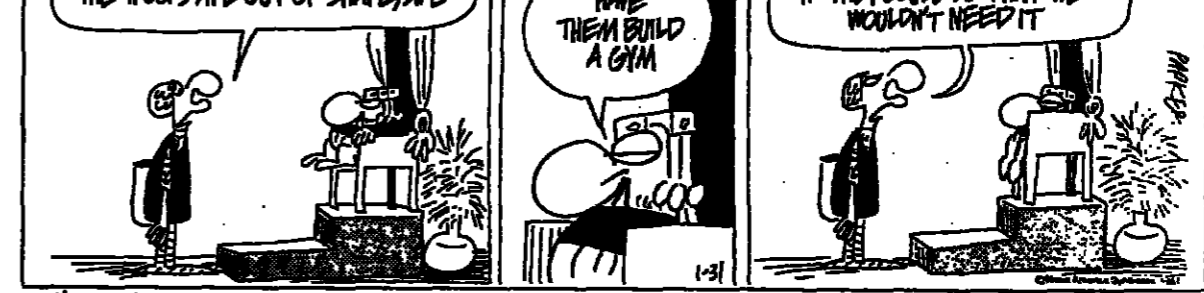
BETLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



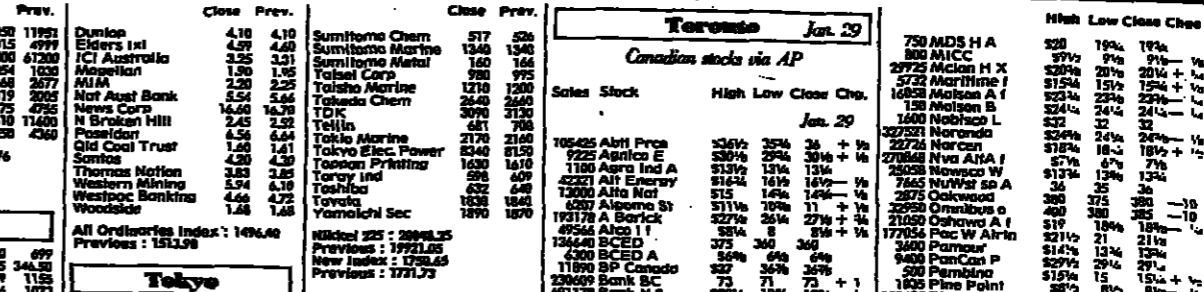
THE PALACE FILE

By Nguyen Tien Hung and Jerrold L. Schecter. 416 pages. \$22.50. Harper & Row, Publishers Inc., 10 East 53d Street, New York, N.Y. 10022.

BOOKS

Coming from an armchair warrior like Hung, this is a dazzling piece of anecdote. His case against the United States rests on a packet of private letters — "the Palace File" — which President Thieu received from the White House during the last years of the war.

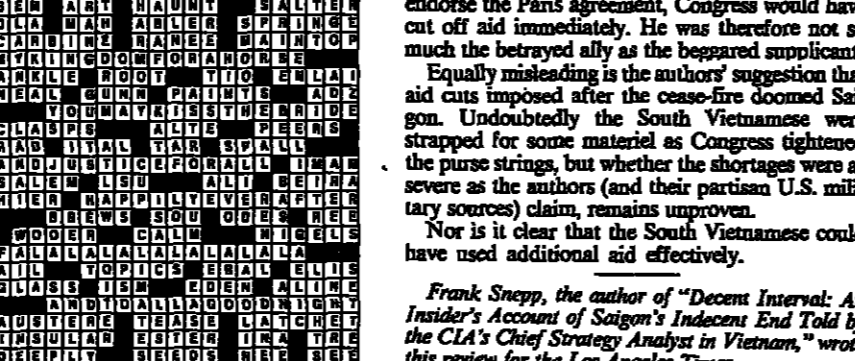
REX MORGAN



DENNIS THE MENACE



Solution to Last Week's Puzzle



WEATHER

Table with columns for EUROPE, ASIA, NORTH AMERICA, MIDDLE EAST, OCEANIA, and WEATHER forecasts.

World Stock Markets

Table showing stock market data for various regions: Amsterdam, Brussels, Frankfurt, London, Milan, Paris, Stockholm, Sydney, Tokyo, Zurich, and Toronto.

Markets Closed

Hong Kong and Singapore markets were closed Friday for a holiday.

The Daily Source for International Investors

Advertisement for 'The Daily Source for International Investors' with contact information and a list of services.



SPORTS

Murray May Have Won First Skirmish in Cup Battle of Gamesmanship

By Barbara Lloyd

FREMANTLE, Australia — In the games both at sea and ashore that Dennis Conner's Stars & Stripes team and Iain Murray's Kookaburra III crew have played leading up to Saturday's opening race of the America's Cup series, the Kookaburras may have scored the last point.

By substituting the older boat, which looks identical to Kookaburra III above the waterline, the Australians may have been able to distort Conner's assessments. The switch also could have given the Australians more time in the boat shed to work on changes to Kookaburra III.

"But anyone who says they know which boat is faster is fooling himself," he added. "You just have no way of knowing at this point who is going to be faster."

Yup, That'll Be a Cuppie

By Stewart Slavin

FREMANTLE, Australia — First there were Yuppies. Now there are Cuppies.



Villagers of the Valais area, distinctive by their traditional dress and pipes, watched countrywoman Erika Hess triumph.

Hess Wins Gold Medal In Combined Skiing; McKinney Gets Bronze

By Pietro Valsecchi

CRANS-MONTANA, Switzerland — Erika Hess won her third consecutive gold medal Friday in the women's combined event at the Alpine Ski World Championships.

SCOREBOARD

Table with columns for Basketball, Hockey, Transition, and Skiing. Basketball includes NBA Standings and U.S. College Results. Hockey includes NHL Standings. Transition includes Baseball and Football. Skiing includes World Championships.

Top Indy Rookie Sought by Police

BENTON, Illinois — A warrant has been issued for racer driver Randy Lanier, the 1986 Indianapolis 500 rookie of the year, after his indictment with nine others on drug charges.

Red Sox Sign Boggs for \$5 Million; 11 Other Players Quit Arbitration

NEW YORK — Wade Boggs, the Boston Red Sox's three-time batting champion, and 11 other major league baseball players settled their salary arbitration cases Thursday.

Caldwell Leads Former Crosby By 1 Shot After First Round

PEBBLE BEACH, California — Rex Caldwell, who got to play in the golf tournament only because he received a sponsor's exemption, shot a no-bogey, five-under-par 67 Thursday for a one-shot lead over the first round of the Pebble Beach National Pro-Am.

Skiing

World Championships (At Crans-Montana, Switzerland) MEN'S COMBINED DOWNHILL

America's Cup

(At Fremantle, Australia) FINALS Saturday, Jan. 31

INTERNATIONAL CLASSIFIED (Continued From Back Page) Includes sections for ESCORTS & GUIDES, LA VENTURA, ARISTOCATS, CAPRICE-NY, LONDON KENSINGTON, LONDON BELGIVIA, and MADRID IMPACT.



PEOPLE

A Question of Class

Welcome to a Vienna Memoir

By Elizabeth Ayre
International Herald Tribune
PARIS — In Alsace in 1944, even though he was in an American soldier's uniform, Georg Stefan Troller was arrested by U.S. military police who heard him speaking German as he recited Goethe's poetry in a snowy wood.



Georg Stefan Troller; a scene from "Santa Fe," the second part of his film trilogy.

He and his family were sent to internment camps in Boulogne-sur-Mer. When German forces invaded France in May 1940 ("You may join your compatriots when they arrive," the camp commander announced to the prisoners), he escaped to Marseille and reached New York in September 1941.

When Troller joined the U.S. Army in 1943, he was denounced by a fellow recruit as Hitler's friend ("Yeah, he's my best buddy," Troller had sarcastically quipped). By 1944, however, he was back in Europe and bursting to show the Austrians the stuff he was made of.



A federal judge has thrown out a contempt case filed by a man found to have harassed a coach passenger trying to use the first-class bathroom on a TWA flight from New York to San Francisco in April 1985.

A Chilean opposition journalist simultaneously learned he had won an international journalism prize and been sentenced to three years' night-time police custody for slandering President Augusto Pinochet.

The Duke and Duchess of York, who have been hunting for a home since their wedding last July, have decided to live in a five-bedroom 19th-century manor house in Dorset, Buckingham Palace says.

GOING ONCE, TWICE, SOLD!!!
INTERNATIONAL ART EXHIBITIONS, AUCTION SALES, COLLECTOR'S GUIDES
IN SATURDAY'S INTERNATIONAL HERALD TRIBUNE TODAY ON PAGE 6.

PERSONALS
MR. RICHARD BERGER - Thank you for saving my life.
YOU ARE GOD'S LIFE. God is your life.

Place Your Classified Ad Quickly and Easily in the INTERNATIONAL HERALD TRIBUNE
By Phone Call your local INT representative with your text. You will be informed of the cost immediately.

INTERNATIONAL CLASSIFIED

REAL ESTATE FOR SALE: Monaco, Fontvieille, Aged 1st. REAL ESTATE TO RENT/SHARE: Monaco, Bolland. EMPLOYMENT: Overseas Positions, Educational Positions. DOMESTIC POSITIONS AVAILABLE: Various roles in Europe and North America. AUTO SHIPPING: Services for shipping cars and boats. TRANSFER: International relocation services. AUTO TAX FREE: Information on tax-free car imports.

LOW COST FLIGHTS

Table with columns: City, Airline, Class, Price. Lists various destinations like New York, San Francisco, Los Angeles, London, etc., and their corresponding flight prices.

COLLEGES & UNIVERSITIES

A KENSINGTON DEGREE CAN UNLOCK YOUR EARNING POWER
Kensington University offers BA, B.Sc., M.A., M.Sc. degrees.
Page 13 FOR MORE CLASSIFIEDS

HIDE TODAY
GENERAL NEWS
BUSINESS FINANCE



Page 13 FOR MORE CLASSIFIEDS

DAK'S LONDON
EXCLUSIVE DAKS CLOTHING FOR MEN AND WOMEN AT DAK'S CORNER SHOPS

Mercedes and Porsche Cars
CO-IMPORT/EXPORT
World Wide Tax-Free Cars From Europe